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NATALIE ALAVI
DAVID ASSMAN
BRIAN BROWNE
REBECCA EVANS
JIM FABRIS
HOLGER GANTZ
CHARLES HALL
ART JENSEN

PUBLIC UTILITIES
INFRASTRUCTURE TASK FORCE
RICHARD BODISCO, CHAIR

DOUG KERN
THOMAS LUTGE
MONIQUE MOYER
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San Francisco Public Utilities Infrastructure Task Force

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Final Report

June 1, 2000 – June 17, 2002

Richard Bodisco, Chairman

1 DR. CARLTON B. GOODLETT PLACE, ROOM 200 SAN FRANCISCO, CALIFORNIA 94102
(415) 554-6141

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SAN FRANCISCO

WILLIE LEWIS BROWN, JR.

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Willie Lewis Brown, Jr.
Mayor
City & County of San Francisco June 18, 2002

Dear Mayor Brown:

The attached Final Report made by your Public Utility Infrastructure Task Force is the result of two years of debate and research between and among individuals with experience meeting the highest achievable level in the fields of water, wastewater, power generation, law, finance, economics, engineering, the environment, business – hotels, restaurants city employees and including both property owners and tenants nearly all of whom reside in San Francisco.

The Task Force is grateful that you gave us the collective opportunity to investigate into and advise concerning the current status and future of the Hetch Hetchy system, a unique and priceless asset of the City and County of San Francisco.

Against the background of our Final Report, it is evident that your task force has run up against an entrenched determination on the part of the PUC to put before the voters in November a multi-billion dollar bond measure. As the Final Report provides, it is our belief that such a huge measure is not justified at this time. Moreover, the proposed PUC measure creates considerable political risks that we should do everything to avoid.

The PUC has publicly refused to implement Task Force recommendations. For example, your request that PUC implement a policy setting Long Term Strategic Plan in 2001 prior to implementing the Capital Improvement Project, was ignored. The current PUC General Manager then proceeded to form her own "Blue Ribbon Committee" composed largely of representatives of wholesale customers on the Peninsula and groups who "politically" favor a large bond funding for the CIP. It came as no surprise that this hastily organized group, working with a PUC consultant that was hired without use of the RFP process, resolved to "bless" the CIP after a couple of weeks of review. At the same time both the committee and the consultant expressed serious concerns

1 DR. CARLTON B. GOODLETT PLACE, ROOM 200 SAN FRANCISCO, CALIFORNIA 94102
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about whether the PUC was capable of getting this mammoth job done on time and under budget.

The California State Audit on the San Francisco Public Utilities, released February 2000, also expressed serious doubts about the PUC's ability to implement a major CIP. This audit went on to discuss a number of organizational inadequacies, including the inability to track or maintain data or plan projects for the long term. Inadequate staffing was mentioned among other matters. Interestingly, the State found that access to research material was often unachievable.

Two years ago your Task Force discovered that the Public Utilities did not have a Long Term Strategic Plan or Long Term Financial Plan in place. Instead, it had merely compiled a "wish list" of projects that it deemed necessary to complete. Individual Capital Improvement Projects have changed numerous times, with some projects simply disappearing from the list while others are added, seemingly on a whim, and several without data substantiating the necessity for replacement or retrofitting. From the beginning, however, the PUC has refused to implement a LTSP or a viable LTFP. PUC hiring practices are abysmal. Although excellent consultants are retained, there is no active and integrated PUC policy that controls related cost. Carte blanch billing practices has cost the City millions - annually.

Two examples of PUC CIP error are:

The Calavaras Dam – The PUC has incorrectly assessed the need for seismic hardening of this dam. We believe that the best approach would be to spend $20-30 million to retrofit the dam immediately. PUC has estimated the cost of its project at over $150 million climbing. The PUC failed to complete project research and it lacks the data necessary to justify their cost projections. Their planning for the project is non-existent. Meanwhile the Dam operates at 30% capacity.

The Sunset Reservoir – For various reasons explained herein by Thomas Lutge, a Task Force Engineer, this project was not sensibly planned. The city is fortunate to have Mr. Lutge devote his time to this endeavor, and his expertise should not be ignored.

A majority of the Task Force feels that the PUC cannot successfully implement a huge capital improvement project. The Task Force steadfastly recommends that the adoption of a LTSP must proceed bond funding, and bond funding must be implemented carefully, in a graduated process consistent with the recommendations provided in our Final Report.

Mr. Mayor, I strongly urged you to call for an immediate Management audit for the San Francisco Public Utilities. I also urge you to put a stop to the PUC transferring of funds to other departments while it has so many critical projects needing funding. In addition, the current General Manager, with an impressive education and record of accomplishment in media relations and Government Administration, requires a deputy General Manager with the highest abilities in the engineering field. The PUC, simply put, lacks the leadership ability that the San Francisco Public Utilities requires in order to efficiently provide the services that the citizens are willing to support.

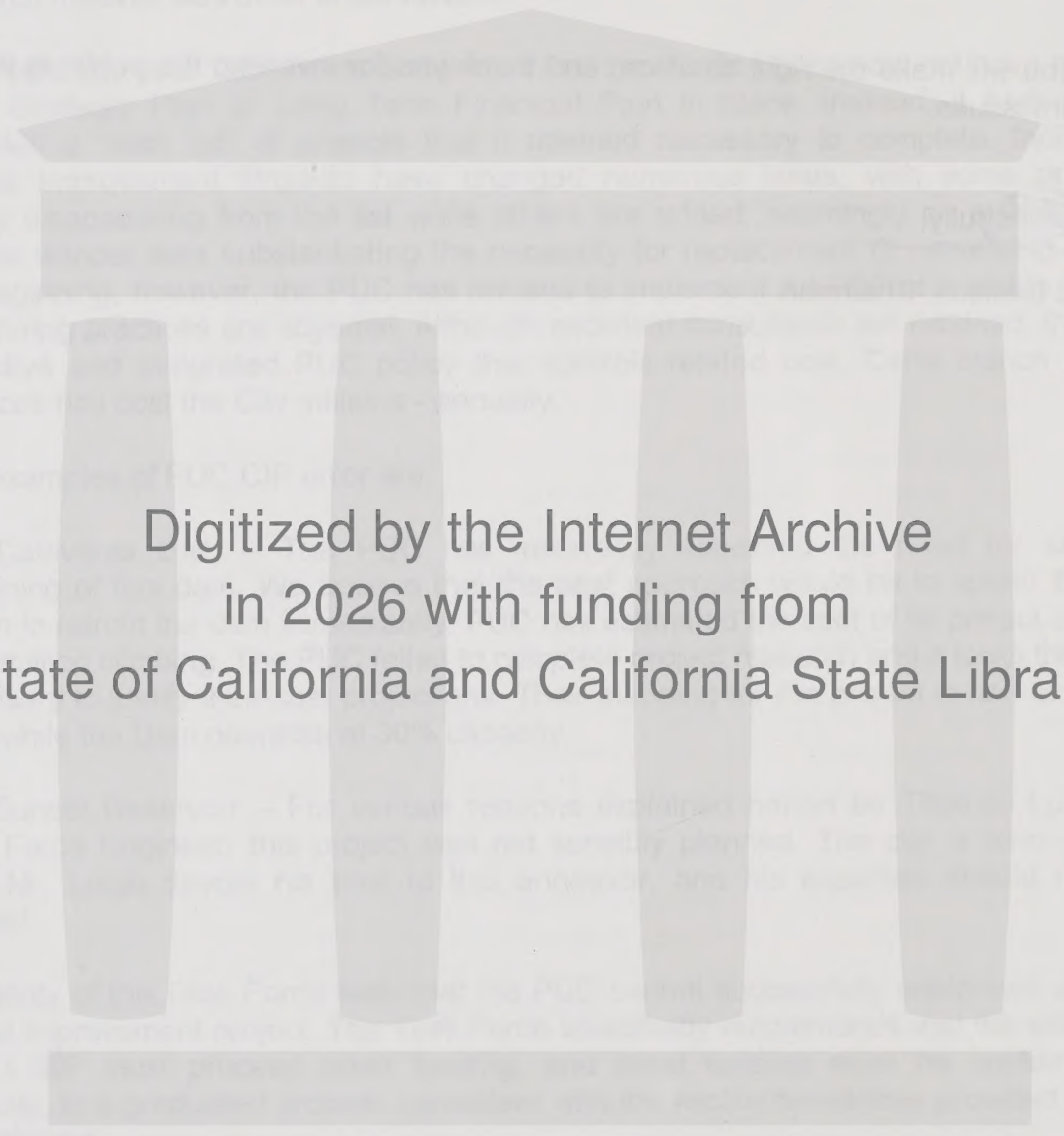
We greatly admire the men and women that have contributed their skills to the public utilities departments as civil servants. These good citizens deserve the utmost support and respect from every San Franciscan. They also deserve leadership committed to doing the right thing; that is, eliminate the political shenanigans that has siphoned off well over a billion dollars from the public utilities prior to your administration.

The failure of past Administrations, their Commissions, other appointments and the benign neglect of the Board of Supervisors, has handcuffed public utilities for far to long.

I trust you will make the right decision, and thank you for involving the public in these important issues.

Most respectfully,

Richard Bodisco, Chairman



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EXECUTIVE SUMMARY

I. Introduction and Background

In September, 2001, after sixteen months of study, hearings and investigation, the San Francisco Public Utilities Infrastructure Task Force ("Task Force") presented to the Mayor its Cumulative Interim Report. In that interim report, the Task Force described the current status of the City's water distribution and wastewater treatment infrastructure and made preliminary recommendations to the Mayor concerning the economical and efficient repair and upgrading of this valuable public asset.

In its interim report, the Task Force was critical of the then-existing Capital Improvement Program ("CIP") prepared by the staff of the San Francisco Public Utilities Commission ("PUC"). Among other criticisms, the Task Force pointed out that:

•The PUC had no long-term strategic plan articulating its infrastructure repair, upgrade and expansion needs for the next thirty or more years. As a consequence, the CIP lacked context and grounding in a defined set of performance objectives, milestones and budgets that adequately distinguished among projects that were "critical," "necessary" or simply "desirable."

•The CIP itself was little more than a hodgepodge of discrete projects with no discernable organizational structure. Projects were added or deleted almost by

whim. Budgets for project design and construction contained such wide cost variances and unrealistic completion schedules that they were virtually meaningless from the point of view of strategic planning.

•The PUC had a history of strategic ineptitude when it came to designing, bidding and constructing capital improvement projects. In the four years following the 1998 passage of two revenue bond measures, much of the money remained unspent, bonds went unissued, and project planning was in a constant state of turmoil and cost overruns.

•Notwithstanding these institutional problems, the PUC was proposing a mammoth CIP costing in excess of $4 billion, an infrastructure repair and upgrade program that dwarfed in size, complexity and cost anything that the PUC had attempted since the completion of the Hetch Hetchy project itself almost 80 years ago. This CIP was to be funded through the scale of revenue bonds, the cost of which would be borne by the system's ratepayers.

In its interim recommendations to the Mayor, the Task Force urged that the PUC adopt a proper long-term strategic plan, a long-term financial plan, and an achievable CIP that grew out of this strategic planning process. The Task Force emphasized the need for performance measurement standards for individual capital projects, together with the adoption of streamlined design criteria and practical project budgets that limited the potential for cost overruns and related waste and inefficiency.

Until these steps were taken, the Task Force cautioned against the issuance of additional revenue bonds. Of particular concern was the PUC's evident fixation upon seeking voter approval for the largest issuance of revenue bonds in the City's history. While the Task Force agreed with the PUC that the water distribution and wastewater treatment infrastructure needed a great deal of repair and seismic hardening, it had serious misgivings about the PUC's plans (or lack of same) for the efficient expenditure of billions of dollars on an endless bureaucratic wish list of capital projects.

II. Recent Developments

Since the September, 2001 interim report by the Task Force, several significant developments affecting the PUC's infrastructure plans deserve mention:

•The PUC subjected its latest CIP draft to critical comment by a "blue ribbon panel" of business, government and industry representatives appointed by the PUC itself, and to the scrutiny of the R.W. Beck consulting organization on a sole-source contract issued by the PUC.

•Because the PUC was committed to placing a revenue bond measure on the November, 2002 ballot, both the blue ribbon panel and R.W. Beck had only a matter of weeks within which to review, evaluate and report upon the proposed CIP. By contrast, the Task Force has been studying the PUC and its capital project

proposals for almost two years without funding from nor institutional dependence upon the views, favorable or otherwise, of the PUC.

•Frustrated by continued delays in infrastructure repair and seismic strengthening projects, many of the governmental entities representing the PUC's wholesale customers in San Mateo and Santa Clara Counties drafted legislation (SB 1870) for adoption in Sacramento creating an alternate funding source for infrastructure projects. This legislation would create a financing authority that could issue up to $2 billion in revenue bonds to fund the roughly two-thirds share of Hetch Hetchy system costs that are shouldered by ratepayers in counties outside San Francisco.

•In response to this proposed legislation, the PUC reduced its projected capital needs from $4.6 billion to $2.6 billion. It also concluded that its wastewater treatment repair and replacement plans were not sufficiently "ripe" for inclusion in the CIP, thereby reducing San Francisco's anticipated share of infrastructure repair costs by another $1 billion.

•Notwithstanding its generally favorable conclusions, the R.W. Beck report expressed a number of serious concerns about both the proposed CIP and the PUC's ability to carry it off, regardless of the source of project funding. The report noted the PUC's spotty history in bringing in capital projects on time and on budget. The report was critical of PUC performance measurement and project accountability systems, to the degree such systems even exist. R.W. Beck questioned whether PUC

had adequate staff with the expertise to complete a proposed capital program ten times the size of anything the PUC has attempted in the past. The report also expressed serious doubts as to CIP timetables and urged the creation of a CIP "oversight committee" to monitor its progress, a recommendation with which the blue ribbon panel agreed.

•R.W. Beck also qualified its comments by pointing out that the limited time afforded by its contract with the PUC did not allow the consultant to perform "technical analysis of the projects" or confirm the "cost estimates or proposed schedules." Similarly, the PUC's own review panel was unable to conduct any close analysis of the CIP. In other words, neither R.W. Beck nor the PUC's blue ribbon panel have any idea how long the CIP will take to complete or how much it will cost.

When proposed capital projects are technically analyzed (see discussion of the recently discovered Calavaras Dam "defects" infra), one is forced to conclude that the CIP contains over-engineered and unnecessary projects that should not be funded through revenue bonds and rate increases.

III. Final Recommendations

The final recommendations of the Task Force to the Mayor combine many of the recommendations in its interim report with several new recommendations formulated against the background of the "recent developments" discussed above.

Many of these recommendations are elaborated upon in greater detail in the individual member reports that follow this summary:

1. The proposed PUC revenue bond measure should not exceed $800 million. The PUC has not demonstrated the ability or willingness to efficiently manage large capital improvement projects. Since the PUC General Manager states that the PUC can reasonably expend no more than $200 million a year in capital funds, $800 million will finance the first four years of infrastructure improvements. Given the PUC's history of inefficient management of capital projects, it is simply incapable of accurately forecasting either its plans or its funding needs beyond this four-year window.

2. If and when additional capital improvement funding is demonstrably needed, the PUC can return to the voters with a new revenue bond measure.

3. An oversight committee should be created to monitor the CIP. Preferably, this committee would be independent of the PUC, with its own dedicated funding source to ensure that it can retain the consultants necessary to carry out its oversight responsibilities. This committee could be created by ordinance of the Board of Supervisors or by initiative ordinance passed by the voters.

4. In the event the Legislature passes SB 1870 in more or less its current form, the CIP (and related revenue bond measures) must still be carefully scrutinized for waste and inefficiency. The creation of an alternate funding source for infrastructure repairs, in and of itself, does not validate the need to spend over $3 billion to fix one part of the water system.

5. The appointing power for the PUC should select commission members who have the skills, experience and education needed for effective management of the PUC enterprises. These skill-sets include economics, engineering, law, finance and the environment. Previous experience in utility operations, within or without the City, should also be sought out whenever possible.

6. It is imperative that the PUC draft and adopt a proper long-term strategic plan that looks out a minimum of thirty years, the ordinary maturation period for revenue bonds. Included in this plan should be a long-range financial plan and an integrated plan for capital improvement projects. The many "long-term strategic and financial" plans adopted by the PUC in the past year or two fall far short of the mark and are unacceptable.

7. A centralized, computerized departmental database must be designed, implemented and consistently used for planning, operational and management purposes throughout the PUC. The PUC should require standardized

reporting obligations and maintain the database so as to promote open communication, accountability and intradepartmental cooperation.

8. All PUC-generated revenues should be retained within the PUC. Simply put, revenues need to be reserved for all of the infrastructure work that is being identified within the PUC. Even if revenues are "surplus" to Hetch Hetchy, a doubtful proposition at best, they cannot be "surplus" to a PUC in search of $4 billion in repair and replacement funding.

The Hetch Hetchy power enterprise should also refrain from "disguised" transfers of revenue to other City departments (e.g. Department of Public Works for streetlighting upgrades; San Francisco General Hospital for acquisition of standby generator) by claiming that these transfers are justified because "electricity" is somehow involved.

PUC properties should be leased and not sold, with revenues committed to capital projects.

9. Absent a compelling demonstration of the financial advantages of resorting to commercial paper in lieu of issuing authorized revenue bonds, the PUC should comply with all voter mandates in connection with new bond issues. In the long-term strategic plan, projects should be identified in advance of bond measures going on the ballot, and those same projects should be funded and timely built, unless it would be economically or logistically ruinous not to alter the project list or the order of approved projects. Before a bond measure goes to the voters, all capital projects must

be certified by an independent (i.e. non-City dependent) engineering concern as to their qualification under all specific bond measure criteria.

10. The PUC should study and implement additional revenue-generating services and receive value for services provided to new customers (hookup fees, meter replacement, etc.). Lifeline rates should be limited to those in need, and commercial establishments (even those operating under the guise of residential buildings) should pay higher rates.

11. The PUC must implement a consistent program of community and neighborhood involvement and consultation. The Technical Oversight Committee should be used as a resource to the PUC, especially with respect to the now-deferred wastewater capital program.

12. In new developments (e.g. Mission Bay), on-site wastewater treatment should be encouraged as part of the planning process. Developers should bear a fair share of such costs. The decentralization of wastewater treatment will promote environmental reform and ease the burden large-scale facilities have on surrounding neighborhoods.

Similarly, on-site power generation should be encouraged if financially and environmentally feasible.

13. A crisis plan should be drafted and rehearsed in the event of a sudden and catastrophic interruption in water distribution to the PUC's customers.

14. Efforts should be made to reduce the inefficiencies and delays inherent in the PUC's contracting procedures. Managers should have performance-based incentives to complete project planning, design, contracting and bidding on a set schedule, especially when several projects cannot even begin until another project is finished.

San Francisco Public Utility

Infrastructure Task Force

Final Report by Economist

Long Term Strategic Plan
Long Term Financial Plan
1997 Propositions A & B
Proposition H
SB 1870
Finance – Revenue Bonds – Rate Increases

By

Brian Browne - Economist

Final Report: Economist

San Francisco Public Utilities Infrastructure Task Force

FROM: Brian Browne
San Francisco Public Utilities Infrastructure Task Force (SFPUITF)

TO: Richard Bodisco, Chair
San Francisco Public Utilities Infrastructure Task Force (SFPUITF)

Date June 13, 2002

Dear Rich,

Please find following my contribution to the Task Force (TF) Final Report.

My Interim Report (IR) comments remain valid (attached). In my IR transmittal letter of September 7, 2001 (below), using bullet points, I summarized problems facing the San Francisco Public Utilities, and proposed remedies.

This report is divided up into the following sections:

1. Table 1 - Comparing Interim Report Recommendations and actions undertaken by SFPUC.

2. A report and recommendations on important events occurring between the Interim Report and today.

3. Interim Report presented September 7, 2001. I am resubmitting this report as my final draft since recommendations contained therein remain current as of writing.

4. Appendix 1 - Delineating debt service and repayment schedules - local and regional customers for a $3 billion Regional Water CIP.

I wish to thank Mayor Brown and you for choosing me to serve on this most prestigious TF. I look forward to continuing my involvement.

Sincerely,

Brian Browne

Table 1 - Bullet Points from September 2001 Transmittal Letter (IR) with implementation action - if any - by SFPUC and comments

2001 Interim Report Recommendations	Implementation Action by SFPUC - Comments
• Develop a Long Term Strategic Plan, reflective of an efficient and responsive business model (1)	Not as specified in Interim Report
• Integrate the PUC Long Term Strategic Plan (LTSP) into the overall City LTSP. (2)	Not as specified in Interim Report
• Unbundle (transfer) the traditional PUC planning and engineering functions from financial transactions (3)	Not as specified in Interim Report
• Investigate methods for increasing revenues as a substitute for borrowing. All residential dwellings in San Francisco receive 300 cubic ft. of wastewater/month at a lifeline rate. The lifeline rate criteria should be modified. Dwellings formerly deemed residential and now in commercial, corporate, or hotel type use should be monitored and charged the commercial rate. (4)	Not as specified in Interim Report
• Increase the sale of PUC (HH) public power to the private sector. Do not create a monopoly service area for any single power provider in San Francisco. (5)	Public power made available to private sector as recommended by Task Force.

• Hire people with skills and educational backgrounds that fit the PUC job descriptions. (6)	Special audit of SFPUC hiring practices required quantifying implementation of this recommendation. Review of all senior personnel resumes and job descriptions. Establish matches and mismatches - if any.
• Specify the projected date when revenues will exceed costs and the PUC will be weaned of borrowing (7)	Does not appear to have a deterministic date for self-sufficiency? **Revenues = Costs**
• Focus on running a utility. Unbundle functions relating to major financial market transactions. (8)	Not as specified in Interim Report
• Full cost all technologies. Planners must also calculate the external effects associated with various technologies, especially digester and power plant operations. Plans must consider both explicit (actual dollar value of owning and operating) and implicit (impact on workers and the environment) costs; to wit, a "cheaper" technology with greater negative external effects may prove more costly to the entire community because of adverse environmental impact. Planners must carefully weigh and calculate these effects, as the PUC plans have not, and the community must be reassured.(9)	Requires an in-depth, independent audit to assess degree of implementation in actuality and as incorporated in planning process.

• Do not change the current system of requiring that the SF voters must approve revenue bond issues (10).	This unique San Francisco financial/oversight power appears continually under assault from various political and other interests.
The SFPUC must be treated as one integrated system. The various component parts (enterprises) complement each other in the productive process. Planning, O&M, and capital improvements for the total system must remain centralized and under SF control. The interlocking synergism of this system must override parochial political goals. (11)	This will require a charter Amendment. This integrated approach was acknowledged in recent SFPUC consulting study. Such integration would ensure "surplus funds" were used for overall system integrity and not transferred to non-operational utility City entities. (**Funds must not be transferred out off the total HH system for other City entities)**

State legislation

State legislation such as SB1870 *et al* has made considerable progress in Sacramento. The outcome remains uncertain as to what the legislators may or may not change in regard to the traditional relationship of San Francisco and the Hetch Hetchy system.

SB1870 establishes a Peninsula funding "Authority." This Authority will be able to issue revenue bonds without voter approval. Voter approval is specifically denied in the current version of SB1870. The proceeds of these revenue bonds will be given to SFPUC for repairs to the regional system. SFPUC will collect money from wholesale customers and return such to the Authority for debt service and also a special surcharge for administering the Authority.

Currently SFPUC issues the bonds and charge the wholesale customers interest during construction. On project implementation, SFPUC recovers debt service from the wholesale customers through rate revenues. Revenues are apportioned 1/3 San Francisco and 2/3 Regional. This allocation of costs is quantified in regard to a hypothetical $3 billion regional project in Appendix 1.

The Peninsula "banking" Authority creation does superficially "cloud" the issue in terms of who actually pays. However, in reality, the net result is the same in terms of capitalized-costs under any of the proposed payment plans. Except, as noted, the impact on San Francisco's traditional role in managing Hetch Hetchy may well be significantly eroded by these state legislative actions. Another potential negative externality associated with this proposed Authority is the possibility that SFPUC will be able to borrow from it and repay from increased revenues. This latter type potential construct could dilute voter oversight over debt issuance for CIP programs. These attributes require intensive and ongoing audit review and public participation.

The proposed Authority will secure its bonds on the assets of the SFPUC system. The SFPUC system secures its bond on the same system. In present value terms -- without having the final bill to draw specific conclusions from - it appears to be a zero sum game, except under SB1870 et al, it is unclear exactly what the managerial/ownership trade-offs will SFPUC cede to the wholesale customers. The creation of the Authority appears to do two things: Create a specialized utility banking entity without voter oversight, and ensure the Peninsula has added powers in regard to the running of the Hetch Hetchy system. The second condition – again unknown until the final legislation is signed by the governor - could also make moot San Francisco voter oversight over regional utility revenue bonds (see above).

These legislative actions have been driven by the fact that much of the SFPUC system is old and crosses many regions of varying seismic instability. San Francisco and Peninsula customers still enjoy high quality water after many substantial earthquakes. SFPUC should develop a full system-inventory of pipes, facilities, and their specific location by age and integrity (hardening), correlated with best available and specific

seismic probabilistic forecasts. This "inventory" must be matched with budgetary constraints and societal concurrence as to what resources will be used to defense against what level of projected disasters. Qualitative analysis must be replaced by hard and factual -- best technology available - quantitative facts. Decisions should not be made in an environment of "general fear."

Citizens must be brought into this decision loop at every major point. Defending against all acts of nature is impossible in a world of resource scarcity. There are too many competing wants (hospitals, roads, etc.). A LTSP must address how citizen involvement, education, and feedback will be ensured in this all-important decision making process. Policy makers must be forthright and specific in advising the public of potential system breakdowns. Vague assertions of impending doom may result in the improper use of resources, in addition to creating unnecessary public anxiety.

It is hoped that the TF at future meetings will consider in-depth all state legislation pertaining to the Hetch Hetchy system. The current changes in Sacramento appear to minimize the role of the SFPUC and may secondary impact the voters of San Franciso in exercising their traditional role of utility revenue bond watchdogs. An efficient SFPUC business model, with a viable LTSP, a record of on time and on (under) cost implementation will make these Peninsula sponsored measures unnecessary.

Clarification -- 1997 A&B -- Independent Engineer - In Context
There appears to be some confusion by the SFPUC management regarding a TF recommendation. The TF did not recommend that the SFPUC hire an independent engineer to review their current CIP program. Instead, the Interim Report (see following) of 2001 pointed out that 1997 A&B Water Revenue Bonds ($304 million) required the following steps be sequentially undertaken:

1. Develop a plan for 1997 A&B work
2. Have these plans certified by an independent engineering entity.
3. Issue the bonds.
4. Do the work.

The TF believes these steps were not well followed in implementing 1997 Propositions A&B bonds. The TF particularly queried use of commercial paper and the failure to formulate a plan before project work commencement. (See below A&B)

The non-discretionary language used in presenting 1997 Propositions A&B Water Revenue Bonds was considered a viable, non-discretionary model on how to issue revenue bonds. Little wiggle room for discretionary interpretation. Future revenue bonds must have similar well- defined steps and a built in system for ensuring compliance with the voter mandate. The current CIP numbers are large. They call for SFPUC to execute work at a multiple of 5 times their current effort. In this context, 1997 A&B type language should be incorporated into a smaller initial CIP funding effort ($800,000,000). Future funds would readily flow from voter approved revenue bonds based on the SFPUC

performance in meeting implementation goals according to prescribed timelines. Recommended steps are:

1. Develop a viable long-term strategic plan (LTSP) for the entire SFPUC system. Submit this comprehensive plan for public approval.
2. Appoint a new SFPU Commission with representatives from the major utility disciplines, plus a representative of the Peninsula customers. The Peninsula representative having voter rights on Regional issues.
3. Develop a detailed and operational CIP for initial critical projects, not to exceed $800,000,000 and have it developed as a subset and consistent with the overall and comprehensive LTSP. This plan must have specific performance milestones for sequential and correlative work.

A. Have the CIP approved by the Commission and an independent engineer selected in an open and competitive process with full public input and participation.
B. Define and limit the amount of discretionary funds available to management
C. Issue the bonds
D. Do the work using bond revenues
E. Limit the amount of commercial paper to 1 percent of ongoing projects.
F. Have the independent engineer and an independent citizen oversight committee report to the Commission at six-month intervals.

Some of the above steps will be sequential and others will require simultaneous-overlap implementation paths. The end result must be a LTSP and immediate attention to critical projects pursuant to the non-discretionary steps outlined above. Rigorous compliance with the language of the 1997 A&B Water Revenue Bonds would have helped avoid many of the SFPUC's current problems.

Power

The TF spoke at length about gaming and market manipulation in the newly "deregulated" (AB1890) power markets as a major cause for last summer's outages and shortages. The SFPUC did implement one significant TF recommendation -- making SFPUC public power available to private users. SFPUC must use orthodox economics to evaluate alternative power options as they develop a least-cost portfolio of supply sources to serve all SF interests.

Proposition H

Proposition H gets great press as a restrictive ordinance that has cost SFPUC interest points in negotiating financial transactions - bonds and other debt instruments. Proposition H was approved by the voters in 1998 freezes retail Water Rates and Sewer Charges at their current levels until July 1, 2006, subject to the following exceptions: The freeze does not apply to the fees charged by customers located outside of San Francisco. The freeze could be suspended if the City declared an emergency, as defined by the Charter. Rates could be increased to repay the money borrowed through the issuance of bonds by the City for improvements to the water system approved by the voters in November 1997 (Propositions A and B - see below), but such rate increases cannot exceed a total of 18 percent during the period July 1 1998 and July 1,

2006. The rates could be increased for further improvements to the water and sewer systems approved by voters in the future.

Proposition H is often cited as the "problem." The "escape hatches" built into Proposition H for the City and SFPUC are many and easily activated. Proposition H is basically a "weak" (albeit a convenient "whipping post") proposition, begging for a proactive SFPUC to do something to make it unnecessary. Proponents of H argue that internalizing all utility "surplus" funds for internal system use, developing a streamlined business model for the SFPUC, hiring resumes to fit all positions, and having a viable and "living" LTSP (integrated into an overall City plan) in place would have negated the very reason for H. The debate will continue. A management audit would be a good start to settle this debate.

Now Incorporated into Final Report ASIS Interim Findings 2001

From: Brian Browne
San Francisco Public Utilities Infrastructure Task Force

To: Richard Bodisco
Chair San Francisco Public Utilities Commission Infrastructure Task Force

Date: September 7, 2001

Dear Rich,

As requested, I enclose here my interim report - emphasis on "interim". The final report for the Task Force will incorporate additional findings and the whole presented in a more systematic fashion, enhanced with greater detail and comments, where appropriate. The aim is to develop a comprehensive review, from my perspective, of the problems facing the PUC and proposed remedies; we can view this as a milestone in its evolution. As a nascent effort, it begs your forbearance.

- Develop a Long Term Strategic Plan, reflective of an efficient and responsive business model
- Integrate the PUC Long Term Strategic Plan (LTSP) into the overall City LTSP.
- Unbundle (transfer) the traditional PUC planning and engineering functions from financial transactions
- Investigate methods for increasing revenues as a substitute for borrowing. All residential dwellings in San Francisco receive 300 cubic ft. of wastewater at a lifeline rate. The lifeline rate criteria should be modified. Dwellings formerly deemed residential and now in commercial, corporate, or hotel type use should be monitored and charged the commercial rate.
- Increase the sale of PUC (HH) public power to the private sector. Do not create a monopoly service area for any single power provider in San Francisco.
- Hire people with skills and educational backgrounds that fit the PUC job descriptions.
- Specify the projected date when revenues will exceed costs and the PUC will be weaned of borrowing
- Focus on running a utility. Unbundle functions relating to major financial market transactions.
- Full cost all technologies. Planners must also calculate the external effects associated with various technologies, especially digester and power plant operations. Plans must consider both explicit (actual dollar value of owning and operating) and implicit (impact on workers and the environment) costs; to wit, a

"cheaper" technology with greater negative external effects may prove more costly to the entire community because of adverse environmental impact. Planners must carefully weigh and calculate these effects, as the PUC plans have not, and the community must be reassured.

- Do not change the current system of requiring that the SF voters must approve revenue bond issues.

- The SFPUC must be treated as one integrated system. The various component parts (enterprises) complement each other in the productive process. Planning, O&M, and capital improvements for the total system must remain centralized and under SF control. The interlocking synergism of this system must override parochial political goals.

Sincerely,

Brian Browne

Interim Findings

This report is loosely divided into three sections.

I --- Long Term Strategic Planning.

II --- Finances - Revenue Bonds Issue and Rate Increases.

III --- Power -- Policy Issues

As noted in the transmittal letter, this is an interim study. It represents an eclectic organization of issues, which have emerged during my tenure on the San Francisco Public Utilities Task Force Infrastructure. A final report will be more comprehensive and fully documented. However, all documents are available in my source files and on the recorded minutes of the Task Force meetings.

I Long Term Strategic Plan (LTSP)

The PUC does not have a viable long-term strategic plan. An LTSP defines the goals and objectives of an enterprise, and dynamic plans for achieving these goals. An LTSP reflects the unique soul of the business model from which it was developed. An LTSP must incorporate the coordinated efforts of every department in the enterprise. The overriding goals of the plan are to ensure a continuation of the entity, while delivering the highest quality, most cost effective products to the public. Risk and asset management decisions must be decided in the context of demographics, economics, budgetary constraints, and the impact on the environment.

A LTSP for an *in perpetuity* enterprise such as the PUC cannot be limited to a 10-year reconstruction cycle and an ad infinitum horizon of debt financing. Planners must develop a scenario, which forecasts a crossover point when the enterprise will be self-sustaining. The TF does not believe that that the Mayor, Board of Supervisors, and taxpayers of San Francisco intend for the PUC to continually shift the debt of prior decision makers forward to their grandchildren.

Since the inception of the TF, three "plans" have been given to the members. These plans have all been for a ten-year capital improvement program (CIP), requiring upwards of 30 years of rate increase to fund bond indebtedness. The CIP approach is flawed and incomplete. It should be part of a PUC-LTSP. Expenditures of the magnitude suggested by the PUC in the 10-year CIP of $5.2 billion cannot be considered in isolation from San Francisco's other financial resource requirements. A debt of one billion dollars at the proposed interest payment of 6.5 percent over a 30-year period requires an increase in annual revenues of approximately $77,000,000. Funding the complete CIP of $5.2 billion will mean an increase in revenue requirements through rate hikes of approximately $400,000,000. This $400,000,000 almost doubles the current revenue requirements through rate hikes.

The PUC Infrastructure Task Force (TF), from its inception, has asked the PUC to present a viable LTSP that shows:

- Where it has been
- Where it is today
- Where it plans to go
  -- Why?
  -- How?

All requests have been met with another version of the original 10-year CIP, albeit sometimes the name (e.g. co-appearance of Task Force member and representative of the SFPUC on May 22, 2001) has been changed to say long-term strategic plan. However, the documents presented to this point have been for 10-year work/expenditure cycles with considerably longer periods (30 years) of correlative debt being internalized by the ratepayers. As stated previously, there is no benchmarking or economic forecasting and no quantifying the trade-off between risk and cost. Further, there is no crossover point when revenues will exceed costs and the PUC will become independent from borrowing against future generations.

TF members have reviewed the various plans, financing, and costs estimates. The process has proved difficult and frustrating. Staff is not uniformly cooperative. Some staff members were open and forthright, while others acted as if the TF did not exist. The latter approach made the process of discovery tedious and the path often littered with obstacles. If the PUC had a viable LTSP with a clear and concise executive summary, aimed at the non-technical stakeholder, then the TF would have been able to comprehend their past, current and proposed business model and how it plans to execute its LTSP. Failure to create such a document, often requested by the TF, has bogged the entire process down.

Questions posed by PUC staff suggest that it doesn't know what a LTSP should be. This is a sad commentary. It is not the function of the TF to provide micro details on how to develop such a plan. However, the TF recommended that staff define a business model and correlative LTSP for the PUC incorporating many of the following elements. The PUC must make this plan dynamic and flexible so that overall strategic goals can be achieved through shorter-term tactical dynamics, long-term asset management and eventually self-sustainability.

Process --

The PUC might consider forming a LTSP committee. This committee should comprise Commission and staff members, legislators, City officials (finance, other departments), disaster relief specialists, stakeholders, environmentalist, the public and other concerned citizens (etc.) and meet annually. A LTSP should be developed with established goals and milestones. To ensure that these goals remain in sight, the PUC should establish a shot-term working committee that meets on a monthly basis to evaluate progress. There should be a strong link between the committees, the overall

City planners, and the plan implementers. Special emphasis should be placed on disaster response. This approach should be well integrated into the PUC business model.

Elements to Consider for a Business model - clarify purpose and function of the PUC

- The PUC business model must explain and make a case why taxpayers should lend the PUC $5.2 billion. The agency has to demonstrate how it will be held accountable. There has to be a system in place at the PUC to ensure a nexus between decision-makers and economic outcomes? In private enterprise bad outcomes are internalized by the decision-maker. This outcome should be more significant than merely rearranging the deck chairs on the Titanic (dismissal). The PUC has to explain how it inculcates and monitor this accountability ethic. The PUC should describe how it perceives its role in the overall San Francisco and Bay Area region. It's important to know how it assesses the impact of its huge expenditure project into the overall economic environment. Mission and goals must be stated such that stakeholders can hold the Commission accountable. Attach resumes of key players and make them available to the public. Stress how academic and career experiences correlate with the specific job descriptions required to operate this vast multi-utility. The business plan should be a confidence builder – or reveal weakness -- wherein the stakeholder understands the PUC way of doing business.

Elements to Consider and Discussion Points for a Long Term Strategic Plan (LTSP) –

- Executive summary. Make sure, in clear non-jargon that the citizen-reader, the Mayor and the Board of Supervisors understand where the PUC has been, where it is now, and where it's going. It must encapsulate everything that is presented in the plan. All assumptions must be clearly stated.

The PUC is the creation of the federal, state, and City of San Francisco governments. The federal government under the Raker Act of 1913 endowed San Francisco with the Hetch Hetchy water and power resources. The City combined power, water, and wastewater into multi-utility now known as the PUC. Currently the PUC is divided into three enterprises - Hetch Hetchy, water and cleanwater (sewerage). The Hetch Hetchy power division produces, aggregates (buys electric power in bulk), transports and distributes power to governmental agencies and some private sector customers. The water division distributes water to governmental agencies, the City of San Francisco, and Bay Area water districts. The cleanwater division collects and treats wastewater for San Francisco.

The PUC has monopoly service area rights in the sale, distribution, and collection of water and wastewater in San Francisco. Hetch Hetchy provides power, when possible, to governmental agencies, Turlock and Modesto Irrigation Districts (TID/MID) and certain non-governmental entities, mainly those that are tenants of City owned facilities.

Municipalities in California with monopoly service areas are self-regulating with regard to rates and service conditions. The California Public Utilities Commission (CPUC) regulates investor owned utilities (IOUs) that have exclusive service areas as to

ratemaking and conditions of service. CPUC hearings are quasi-judicial and open. The PUC as a municipality is a self-regulating utility.

- The PUC regulatory system. Let people know how the PUC regulates its levels of service (environmental considerations) and ratemaking. The PUC, excluding power, has a monopoly service area and is self-regulating. Define enterprise goals now and in the future (rates, quality, conditions of service). The reader must understand this. It should be stated how rates are being assessed and used and what is expected in return for these rates Ratepayers are the customers.
- Benchmark. How do the PUC compare with other public and private utility systems in California and other parts of the US? Historical, present and projected benchmarking is required. Projected benchmarking can be used as an evaluative tool in holding the PUC accountable. Benchmarking is not the answer per se in evaluating performance, but in conjunction with other engineering, financial, social, and economic indicators produces a solid basis for assessing relative efficiencies over a broad range of industry standards.
- Past, present and projected finance requirements need to be stated in clear language.
- Decision models for evaluating competing wants in a budget-constrained environment must be explained in quantitative as well as qualitative terms.
- Forecasting and sensitivity testing. Use standard orthodox forecasting techniques to assess future macro and micro economic, financial, technological and social variables, which will determine a specific market. Clearly state all assumptions.
  - Deterministic models - Financial models, econometric forecasting - identifying relationships between factors. This type modeling underscores the need for a centralized and relational database. Handles uncertainty by sensitivity testing (What if?)
  - Probabilistic models - Handle uncertainty by allowing the planner to enter a probability distribution for one or more variables - not used in the projected +/- cost estimates in the various CIP versions.
  - Delphi technique -- public outreach/testing the public opinion pulse by direct questions
  - Linkage with major macrosectoral econometric models to subsume market and demographic trends. The seamless integration of in-house and external databases will enhance the reporting and planning processes
  - Though the established process (see above) ensure that public comment is always highly visible

II - Finances -- Revenue Bonds Issue and Rate Increases

San Francisco has a unique relationship between its government and citizenry. The citizens must approve revenue bonds (excluding SFO). Revenue bonds are bonds which will be paid back from revenues collected. This is a unique system of checks and balances. The bond requester must state what the bond funds will be used for and how the bonds will be repaid. This might be perceived as a contract between the entity issuing the bonds and the stakeholders. Many of the TF members view the execution of

the contract as it is written as pivotal to the PUC in sustaining a line of credit with the voters. With the PUC proposing a CIP requiring additional expenditures of $5.2 billion this "credit-line confidence" factor becomes critical.

- The PUC is as mentioned a self-regulating utility entrusted under statute with a monopoly service area. The PUC rates are set to cover its revenue requirements. Revenues must cover operation & maintenance expenses, debt-service payments, and capital expenditures not financed by debt. The PUC does not have a funded depreciation or capital replacement account. PUC uses cash needs approach for funding capital expenditures by debt service and direct capital expenditure components out from revenues.

Debt service is created when the PUC causes bonds to be issued on its behalf. The PUC issues both serial and term bonds. In developing forecasts the PUC assumes these bonds will be amortized in a manner similar to a mortgage payment. Planners take the present value of the bonds and apply a level annualized factor that is calculated using interest and repayment period. This approach generates an annual dollar repayment amount which is allocated as rates over the customer base on a $/hundred cubic ft. (CCF) basis. The customers, through the increased rates, are in effect paying off both the interest and principle component of the IOU. Ultimately, the debt is passed through to PUC customers.

If the above process happens, as explained above, rate changes pursuant to a bond issue would be unchanged. However, the Commission has financial advisors who advise on their perception of optimal timing and structure of issues. This market participation, according to staff, can course a divergence between forecast and actual rates as a function of the prevailing bond market. The Commission advises that financial intermediaries be chosen in a competitive process.

To make the payments associated with the bond issuance the PUC has established two accounts with a fiscal agent:

- Interest fund --- Revenues are transferred into this account sufficient to cover twice a year interest payments on the bond debt
- Principle fund -- Revenues are transferred into this account sufficient to cover a once a year payment on debt principle

These two funds do not exceed the total required to cover both interest and principal requirements on a yearly basis. Surpluses are transferred back into the CIP. These funds cover interest charges and pay to retire bonds expiring during the year.

As an additional security for bondholders a Bond Reserve Account (BRA) is created. This is equal to one year of principle and interest payments. For the proposed CIP this will be approximately $345,000,000. This is an interest bearing account. If the BRA

exceeds the pre-ordained level, the funds are returned to the CIP. When the debt is finally being retired and this reserve is not needed, it is used to offset the remaining amount outstanding.

The Commission might consider a business model, which focuses on planning, ratemaking, service conditions and ensuring a reliable supply of power, water and wastewater and unbundle its market activities. These are all specialized functions. The PUC has a long history of supplying power, water, and wastewater services and hence have developed specialized skills in these fields. However, in the new market dynamic, a number of TF members, especially after the A&B Bond situation, as discussed below, question the efficacy of internalizing very specialized market transaction functions within the Commission. This City might best be served by moving this function to a centralized/specialized entity within the City governance.

Example - 1997 A&B Bonds and Proposition H

In 1997 voters of San Francisco passed A&B bonds allowing the SFPUC to issue $304 million in bonds to finance reliability and seismic safety improvements and safe drinking water improvements.

In 1998 voters of San Francisco passed Proposition H, which froze water and wastewater rates at the level in effect on January 1, 1998 until July 1, 2006. There were limited exceptions such as to cover the debt service for the 1997 Revenue Bonds approved by the voters.

In Text of Ordinance Authorizing Bond Election - Proposition A. (p33) it is stated:

> "Prior to the issuance of the Bonds an independent consultant or engineering firm must deliver to the Public Utilities Commission a certificate to the effect that the proposed improvements to be financed with the bonds constitutes 'reliability and seismic safety improvements' as defined herein. "

In Text of Ordinance Authorizing Bond Election - Proposition B. (p41) it is stated:

> "Prior to the issuance of the Bonds an independent consultant or engineering firm must deliver to the Public Utilities Commission a certificate to the effect that the proposed improvements to be financed with the bonds constitutes 'safe drinking water improvements' as defined herein. "

The text authorizing both A & B also called for any "substitute work" to be performed only after it went through the same rigorous independent certification process as dictated at the ballot box.

Many members of the Task Force interpreted the text of the ordinances authorizing the Bond election to mean that the PUC should have followed specific steps; namely,

1. Have work-scope developed for initiatives certified by independent engineering entity. The TF members interpreted "independent" to mean as in the Declaration of Independence and not consultants working for the PUC.

2. Issue revenue bonds

3. Sequence debt service payment with rate increases

4. Perform certified work using funds generated from bond issuance.

The PUC followed a different approach. The Commission used commercial paper to fund A&B work. The first 1997 Bonds were not issued until July 25, 2001.

On February 28, 2001 the PUC produced a document entitled: "San Francisco Public Utilities Commission -- Capital Improvement Program - Long-Range Financial Plan. This document was presented to the public on May 22, 2001 as the SFPUC LTSP. In this document, the PUC described 1997 A&B Revenue Bond and their commercial paper program

> "San Francisco voters approved $157 million of 1997 Series A Water System Reliability and Seismic Bonds and $147 million of 1997 Series B Safe Drinking Water Revenue Bonds. The SFPUC has approved the sale of $140 million of these bonds and expects to sell these bonds in July 2001. The remaining $164 million of A&B Bonds would be sold in the second half of 2002.
>
> Commercial Paper Program. During 1999, the SFPUC began issuing commercial paper. Up to $250 million is authorized to fund construction costs and $49 million is outstanding as of February 28, 2001. A and B Revenue Bonds will take out outstanding commercial paper plus accrued interest. The PUC intends to continue issuing commercial paper that will be secured by future bond authorizations. "

The history of this commercial paper/Bond Issuance (incomplete as of writing) program is summarized in the following steps.

1. During the spring of 1999 the PUC requested and had passed by the Board of Supervisors an ordinance allowing for commercial payment to be used prior to actual bond issuance.

2. In July 1999 the PUC commenced issuing commercial paper, thereby, as noted by the TF, necessitating a two versus one step approach to funding A&B work. The first step was not presented to the voters as an option.

3. On May 22, 2001 SFPUC representative, Dr. Phil Arnold, announced that A&B work had been certified and confirmed to that the Alliance had issued the certification. Task Force members question the PUC as to what was specifically was certified and whether The Alliance could be considered independent.

4. July 1, 2001 water rate increase of 8.69%, announced by PUC. This increase overrode Proposition H freeze in that PUC stated it was required for debt service pursuant to issuing A&B bonds.

5. On August 27, 01 staff of PUC responded to a TF request for additional clarification regarding work-scope certification:

> "I have obtained a copy of the certificate prepared by the Water Alliance and reviewed it. In the certificate John Kluesener (Alliance) attests he has read Section A and Section 1 of Proposition B and caused an examination or investigation to be such that he can express an informed opinion on whether the PUC (SFPUC) has complied with the provisions of Section 1 for each proposition; the projects funded from the sale of bonds include reliability and seismic safety projects and safe drinking water projects; and it is his opinion that Commission has complied with the conditions contained in Section 1 of each proposition. The certificate includes two exhibits -- one a list of reliability and seismic safety projects, the other a list of safe drinking water projects. The certificate is dated May 22, 2001." Staff offered to send the TF a copy via messenger. This will be requested at a later date.

6 July 25, Bonds issued for $140,000,000.

7. As of August 15, 2001 - TF advised that as of now $226 million dollars have been appropriated or spent and that the remaining $78 million has been "identified." The $226 million is divided into three categories by the PUC

- $28 million spent
- $66 million encumbered -- contracted for but not paid
- $82 million Available for specific projects

TF members believe that Propositions A&B did not permit a commercial paper program and that certification was done after the fact and possibly not by an independent engineering entity. The TF believes that A&B work should have been completed. These type of factors raise concerns as to accountability and confidence in future revenue bond request.

Examples - Revenue from Customers v Debt Financing

Lifeline Rates and Revenue Requirements

The TF has requested that the PUC consider equating like customers with equal rates. Commercial and hotel customers do not receive any lifeline wastewater rates. Commercial and industrial customer rates are higher than the lifeline rate. These rates also include discharge costs.

Residential customers in San Francisco receive 300 cubic ft. of wastewater each month at a discount ($1.8623 per 100 cubic feet of water consumption). This rate is known as a lifeline rate. All wastewater use in excess of 300 cubic feet per residential dwelling per month is charged $4.8334 per 100 cubic feet. TF members asked if a building went from residential use to a hotel/corporate type use, should the lifeline rates still be applicable? The PUC stated that the administrative costs associated with redefining use would be too high to merit such a change. TF members suggested that these administrative costs would be less than the increased revenues and asked the PUC to investigate this matter further.

III - Power -- Policy Issues

AB1890 the power deregulation legislation was market-perverse. It created an environment whereby producers could act in an opportunistic manner toward consumers. At the time AB1890 was passed PUC (Hetch Hetchy) was producing, aggregating, transmitting, and selling power to both public and private sector customers. TF members believed that with a LTSP it would have been obvious to PUC management that a more dynamic approach should have been adopted. Some suggestions made during the course of meetings with the PUC are shown below:

- Creeping municipalization - PUC should have offered all residents a chance to sign up for PUC power. This type of approach is permitted under the San Francisco charter and was encouraged under AB1890.
- PUC should have used its low marginal cost of hydropower (Hetch Hetchy) to sell into high California Independent System Operator (CAISO) auctions to offset lower contractual irrigation district contractual prices. Sold high and bought low philosophy.
- PUC should have revisited the Turlock and Modesto irrigation district contracts immediately. These contracts were priced well below the market clearing price of power and the clause allowing right of first refusal over base load was a constraint on increasing Hetch Hetchy power generating capacity.
- PUC while providing public power to citizens of San Francisco should not increase its debt to buy PG&E intra-city wires, but rather negotiate favorable wheeling contracts.
- PUC should work with the state in acquiring low cost contractual power which is being purchased and sold by the DWR. The current 24/7/5-year contract with Calpine to purchase 50 MWH power with an average price of $86.90 over the 5-year contract period beginning July 1, 2001-- exceeds the current market rate. Mention was not made of this contract by the PUC on May 22, 01, when they presented the LTSP and announced certification of 1997- A&B Bonds or at any TF meeting or to any TF member working with staff on power issues.

- Hetch Hetchy revenues must be internalized for the entire system. For example during the period 1992-2000, SFPUC transferred $339,150,972 from Hetch Hetchy to the general fund. The present (appreciated) value of these funds, if available in a depreciation account (asset management) today, would approximate $1 billion. A systems approach to maintaining the entire system will ensure intra-utility synergism. Engineering and economic criteria must override any parochial attempts to dilute by political fiat the way the various functions of the current system complement each other. The current SFPUC business model may require overhauling and streamlining, but the conceptual approach of an integrated system controlled by San Francisco must not be changed.

One advantage of having San Francisco as a player in the energy markets is that it will restrain "gaming" (withholding power to spike prices) by producers. San Francisco as a strong political entity will lend additional policing powers into a market that has been perversely redesigned (AB1890) by fiat to favor rather than dissuade cartel type behavior by power producers. This weakness in the law is gradually being addressed.

The TF members, while strongly supporting public power participation by the PUC in the overall San Francisco electric marketplace, do not believe any single power supplier should be granted sole monopoly rights to sell power in San Francisco. The public must have choices and a leading option must be the PUC. Acquisition of PG&E's aging intra-city wires is not encouraged. This would generate an additional debt burden on the City and straddle the City with a high learning curve in operating, maintaining, and running a "wires" (PG&E distribution lines) business. The PG& E wires acquisition could increase the proposed $5.2 billion debt issuance to possibly over $7 billion.

Endnotes

August 27, 01 email to Rich Bodisco ---- SFPUC (lack of) Planning Process Rich the Briefing Paper "An Earthquake Vulnerable, Aging System Could Leave 2.4 Million Bay Area Customers With Little or No Water for Up to 60 Days" highlights an old and well known problem associated with living in an area of geological instability. Three things come to mind: (1) Why were these assets allowed to degrade to a point supposedly requiring billions now? (2) Haste makes waste (going ahead without a LTSP), and (3) Don't shoot the messenger (Task Force). Since sunk costs are sunk costs (irrelevant), we must seek an answer to question 1, while moving forward with the real task at hand -- ensuring our infrastructure be restored and enhanced and that this type crisis situation never again arises. This can be done by a disciplined and planned approach to asset management. As noted below, this "crisis" needs to be properly quantified - the cost, timing, and risk calculations have yet to pass consensus TF scrutiny.

For over 15 months we have failed in our entreaties to the PUC to have them generate a viable long term strategic plan (LTSP) that will guarantee the public will have complete confidence in granting PUC a line of credit (revenue bonds), apparently in the billions. This credit line cannot be considered in isolation from SF's other present and future financial goals. Our ability to issue paper is NOT infinite. We must live within overall budgetary constraints. This plan must tell us why we are at this perceived crisis point now and how we can avoid this situation in the future. It must look beyond 10 years - this must not be the planning horizon for an in perpetuity conurbation such as the bay Area. It must involve the public, especially in risk (risk reduction is not a free good) and financial management. The trade-off with the environment cannot be ignored. In this regard, both explicit (actual) and implicit (internalizing externalities) must be considered. Brian Browne
EOM----------
****

Benchmarking -- Questions requested by Member Browne - from an XLS sheet ---- This report should be benchmarked against other similar systems to compare operating statistics. (July 01)

Item	CITY, DISTRICT OR COMPANY DATA REQUEST	San Francisco Public Utilities Commission
	Date	4.26.01
	Name of Organization	SFPUC
	Type of Organization	PUC
	Street Address	1155 Market Street
	City	San Francisco
	State	California

	Zip	94103
	Contact Name	Kingsley Okereke
	Contact Telephone	
	Contact Email.	
1	Number of potable water connections (customers)	169,485
2	Number of recycled water connections (customers)	0
3	Total population served	2,412,266
4	Total number of employees	612
5	Number of employees (FTEs) assigned to	
	5.1 Billing /meter reading / customer service (multi-tasked)	42
	5.2 Customer service only	100
	5.3 Operations & maintenance	569
6	Miles of pipe (main) in system	1,433
7	Acre feet of water served annually (1 AF = 325,851 gallons)	284,468
8	Acre feet of water purchased annually	0
9	Acre feet of water produced from wells annually	0
10	Do you operate a water treatment plant?	Operates 2 plants
11	If yes, what is its size (MGD)?	Sunol Valley 160 mgd and Harry Tracy 140 mgd
12	Number of annual customer service requests	15,000
13	Average annual number of "turn-offs"	600
14	Billing system	
	14.1 Billing cycle - monthly or bi-monthly	both monthly (4,353)and bimonthly (165,133)
	14.2 Number of bills issued annually	1,055,034
15	Water Rate Structure	see attachment
	(please attach a copy of your rate schedule or tariff sheet, and provide any explanations at end of this survey under Additional Comments, Information and Data)	
	15.1 Increasing Block Rate? (Y)es/(N)o	
	15.2 Uniform Rate?	yes
	15.3 Lot Size Rate?	
	15.4 Seasonal Rates?	
	15.5 Fire Service Rates?	
	15.6. Lifeline Rate?	
	15.7 Fixed or Meter Charge?	yes
	15.8 Allowance in Fixed Charge?	
	15.9 If allowance, what is the quantity (HCF)?	
	15.10 Capital/Other Rate Surcharge?	
16	Asset Valuation	
	16.1 Gross plant (un-depreciated asset)	701,511,337
	16.2 Replacement cost, if available	

17	Gross annual revenue	154,367,858
18	Annual percent of billed revenues that are uncorrectable	1.50%
19	Total annual expenses	
20	Annual Expenses	
	20.1 Annual O&M expenses	111,439,255
	20.2 Annual capital expenses	42,092,178
21	Annual Dollar Contribution to City General Fund	
21.1	Public Water Agencies	
	21.1.a In-Lieu Fees	
	21.1.b City Rate of Return	
	21.1.c Allocated Costs	
	21.1.d City Administrative Charges	
	21.1.e Direct Charges	
	21.1.f Indirect Charges	
	21.1.g Other – please define	
21.2	Private Water Companies	
	21.2.a Franchise Fees	
	21.2.b Taxes	
	21.2.c Other – please define	
22	Do you have a formal ratemaking policy?	
23	If yes, does this policy include an automatic pass-through of water and power costs?	
24	How often do you use this automatic pass-through policy?	
25	How often are your formal rate policy hearings?	
	Additional Comments, Information and Data	
	(Please add additional pages as needed)	
		Note 1 Population served at retail = 776,733; Population served at wholesale 1,635,533. Total population served 2,412,266Note 2 on Acre feet served: Retail Acre Ft 90,094 Wholesale acre feet 194,468 - Total 284,468
	Benchmarking Statistics	
1A	Customers Per Employee	

Example of Debt Calculations
Between Retail and Suburban Resale

Assumptions:

Principal Amount	3,000,000,000	
Interest Rate	0.06	
Term	30	
Annual Debt Service	(217,946,734)	
Construction Term	3	
Interest During Construction	270,000,000	Prin*Int*ConTerm/2
Suburban Allocation Factor	0.666666667	
Service Life	30	

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8	Column 9
Year	Debt Service	Rate Base	Depreciation	Return	Return & Depreciation	Suburban Share	Net Retail Responsibility	Present Value of Net Retail Responsibility
1	(217,946,734)						(217,946,734)	(217,946,734)
2	(217,946,734)						(217,946,734)	(205,610,127)
3	(217,946,734)	3,270,000,000	0	98,100,000	98,100,000	65,400,000	(152,546,734)	(135,766,051)
4	(217,946,734)	3,161,000,000	109,000,000	192,930,000	301,930,000	201,286,667	(16,660,068)	(13,988,114)
5	(217,946,734)	3,052,000,000	109,000,000	186,390,000	295,390,000	196,926,667	(21,020,068)	(16,649,863)
6	(217,946,734)	2,943,000,000	109,000,000	179,850,000	288,850,000	192,566,667	(25,380,068)	(18,965,463)
7	(217,946,734)	2,834,000,000	109,000,000	173,310,000	282,310,000	188,206,667	(29,740,068)	(20,965,574)
8	(217,946,734)	2,725,000,000	109,000,000	166,770,000	275,770,000	183,846,667	(34,100,068)	(22,678,493)
9	(217,946,734)	2,616,000,000	109,000,000	160,230,000	269,230,000	179,486,667	(38,460,068)	(24,130,322)
10	(217,946,734)	2,507,000,000	109,000,000	153,690,000	262,690,000	175,126,667	(42,820,068)	(25,345,132)
11	(217,946,734)	2,398,000,000	109,000,000	147,150,000	256,150,000	170,766,667	(47,180,068)	(26,345,103)
12	(217,946,734)	2,289,000,000	109,000,000	140,610,000	249,610,000	166,406,667	(51,540,068)	(27,150,665)
13	(217,946,734)	2,180,000,000	109,000,000	134,070,000	243,070,000	162,046,667	(55,900,068)	(27,780,621)
14	(217,946,734)	2,071,000,000	109,000,000	127,530,000	236,530,000	157,686,667	(60,260,068)	(28,252,271)
15	(217,946,734)	1,962,000,000	109,000,000	120,990,000	229,990,000	153,326,667	(64,620,068)	(28,581,518)
16	(217,946,734)	1,853,000,000	109,000,000	114,450,000	223,450,000	148,966,667	(68,980,068)	(28,782,972)
17	(217,946,734)	1,744,000,000	109,000,000	107,910,000	216,910,000	144,606,667	(73,340,068)	(28,870,045)
18	(217,946,734)	1,635,000,000	109,000,000	101,370,000	210,370,000	140,246,667	(77,700,068)	(28,855,041)
19	(217,946,734)	1,526,000,000	109,000,000	94,830,000	203,830,000	135,886,667	(82,060,068)	(28,749,235)
20	(217,946,734)	1,417,000,000	109,000,000	88,290,000	197,290,000	131,526,667	(86,420,068)	(28,562,957)
21	(217,946,734)	1,308,000,000	109,000,000	81,750,000	190,750,000	127,166,667	(90,780,068)	(28,305,654)
22	(217,946,734)	1,199,000,000	109,000,000	75,210,000	184,210,000	122,806,667	(95,140,068)	(27,985,965)
23	(217,946,734)	1,090,000,000	109,000,000	68,670,000	177,670,000	118,446,667	(99,500,068)	(27,611,776)
24	(217,946,734)	981,000,000	109,000,000	62,130,000	171,130,000	114,086,667	(103,860,068)	(27,190,281)
25	(217,946,734)	872,000,000	109,000,000	55,590,000	164,590,000	109,726,667	(108,220,068)	(26,728,035)

26	(217,946,734)	763,000,000	109,000,000	49,050,000	158,050,000	105,366,667	(112,580,068)	(26,231,002)
27	(217,946,734)	654,000,000	109,000,000	42,510,000	151,510,000	101,006,667	(116,940,068)	(25,704,600)
28	(217,946,734)	545,000,000	109,000,000	35,970,000	144,970,000	96,646,667	(121,300,068)	(25,153,747)
29	(217,946,734)	436,000,000	109,000,000	29,430,000	138,430,000	92,286,667	(125,660,068)	(24,582,897)
30	(217,946,734)	327,000,000	109,000,000	22,890,000	131,890,000	87,926,667	(130,020,068)	(23,996,080)
31	0	218,000,000	109,000,000	16,350,000	125,350,000	83,566,667	83,566,667	14,549,803
32	0	109,000,000	109,000,000	9,810,000	118,810,000	79,206,667	79,206,667	13,010,078
33	0	0	109,000,000	3,270,000	112,270,000	74,846,667	74,846,667	11,598,045
	(6,538,402,034)					4,207,400,000	(2,331,002,034)	(1,208,308,412)
Percent of total debt service						64.35%	35.65%	

Notes:
Depreciation calculated on straight line basis
Return calculated using average of beginning and end rate base
Net retail responsibility equals debt service less suburban share

i*(1+I)^n/(1+I)^n-1*CIP	YR3 Prin + IDC YR4-Yr 32: RtBaseT-1-DepT	Prin+IDC/Serv Life	RtBaseT+RtBaseT-1/2*int	Dep+Return	(Dep+Ret)*%Reg	DebtServ(-)+Ret	CitySh/(1+I)^N

San Francisco Public Utility

Infrastructure Task Force

STRUCTURAL

ENGINEERING

REPORT

BY

Thomas A. Lutge, SE

Thomas H. Lutge, SE

Structural Engineering
1632 Ulloa Street
San Francisco, CA 94116
Phone/Fax: 415-664-8433

June 12, 2002

Mr. Rich Bodisco, Chair
Public Utilities Infrastructure Task Force

Dear Rich:

We have now finished reviewing the sampling of Capital Improvement Projects chosen to represent the work required. These two projects were the Calaveras Dam and the Sunset Reservoir. Both of these projects were analyzed by outside Consultants and the upgrading information/design was provided by these Consultants.

The first project we looked at was a San Francisco reservoir upgrade. This Sunset Reservoir North Basin Embankment/Foundation Stabilization Project and also Seismic Upgrade for the Reinforced Concrete Reservoir itself was the reservior project looked at. The Olivia Chen Geotechnical review of this project found a potential for soil liquifaction at this reservior site and they desired to eliminate this potential for liquifaction with compaction grouting and cement deep soil mixing (CDSM) which is the correct thing to do to provide seismic stability. The structural consultant for the reservior concrete containment seismic upgrade project was SOHA who created a list of 8 ways to seismically upgrade this structure as we show attached. The result of this chart was that they chose a system of concrete shearwalls and moment frames that will cost many millions of dollars. One upgrade method that was not on this list is the use of stainless steel diagonal rod bracing with stainless steel ductile undercut anchors. Stainless steel is used to insure no potential for rust or deterioration in the reservior water and undercut anchors are used for the excellent seismic behavior. From my personal experience with similar structures, this stainless steel diagonal rod bracing with ductile connections would be a top contender on the attached list and when you factor in the cost of about 25% of the current design, as a San Francisco Citizen who will be paying for part of this upgrade, I say we take the best performance for the least price. In addition the diagonal rod bracing will not cause any troubles with the desired circulation of the reservoir water as the current concrete shearwalls will.

The second project looked at was the Calaveras Dam. The California State Division of Dams has stated "the dam can not be shown to be stable after being subjected to seismic ground motions, IF SEISMIC LIQUEFACTION WERE TO OCCUR". Simply put this dam has some liquefiable material incorporated into the original construction and as in the San Francisco Marina District, liquifaction could occur if an earthquake happens. The

Consultant Olivia Chen, who performed the services for the Sunset Reservoir dealt with the liquifiable material in the upgrade design for this Sunset Reservoir by compaction grouting/cement deep soil mixing, has not yet proposed compaction grouting/cement deep soil mixing or similar soil stabilization techniques for this dam liquifaction prevention upgrade. My experience with my own personal work would be to remove the liqifaction ppotential of this dam rather than replacing it, as is being done with the Sunset Reservoir. This cost should be about 25% of the dam replacement cost. This does not increase the capacity of the reservior as currently desired, but it does make this dam safe again so it can continue its current longevity.

The bottom line of this random sampling of projects is that maybe there are ways to make the City of San Francisco's Capital Improvements and keep the money spent as low as possible, somewhat of a win-win situation.

THOMAS H. LUTGE, SE
Structural Engineering
1632 Ulloa Street
SAN FRANCISCO, CA 94116
(415) 664-8433

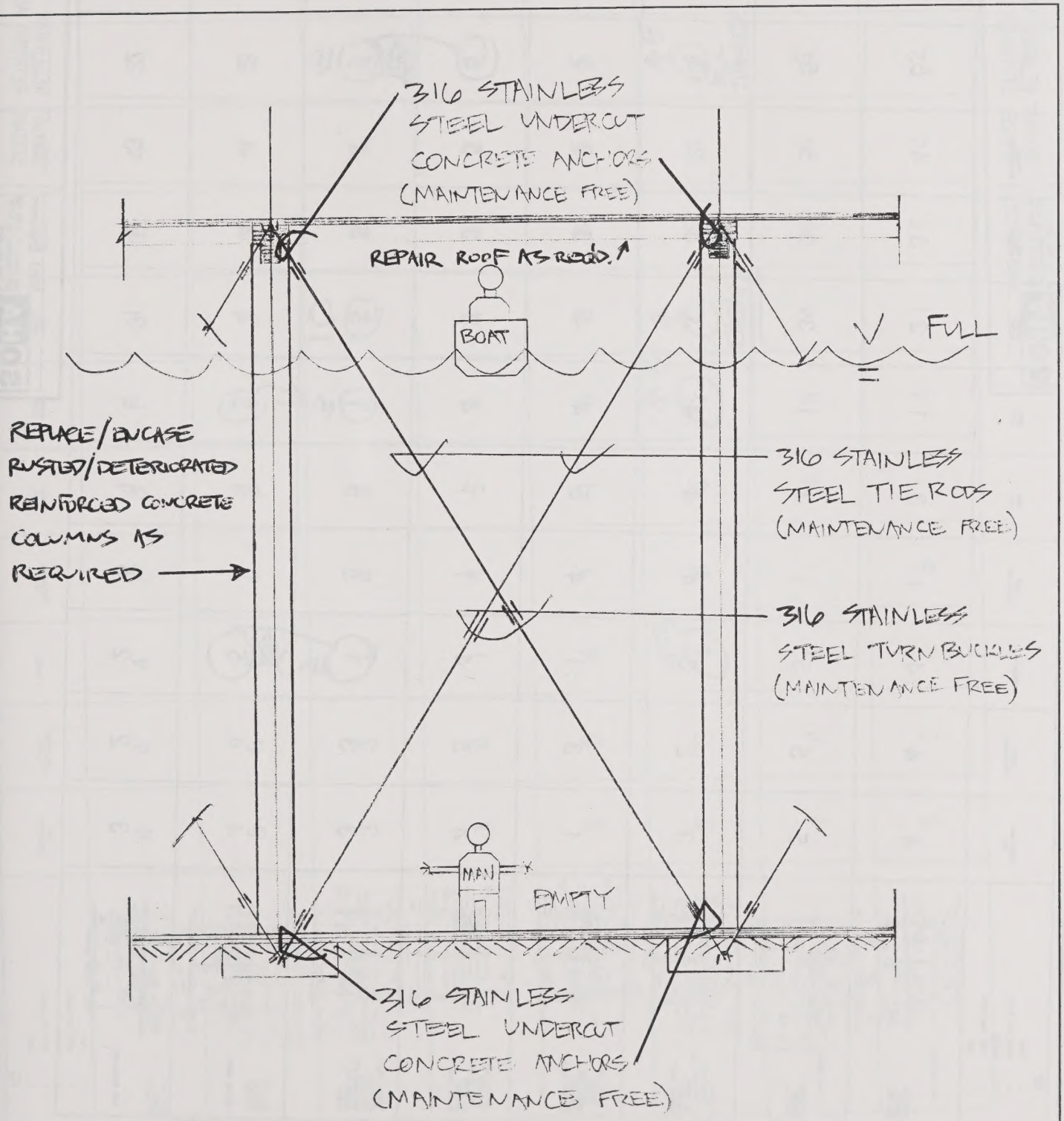
JOB 02.33

SHEET NO. _____ OF _____

CALCULATED BY TL DATE 5/23/02

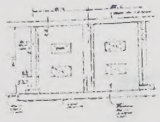
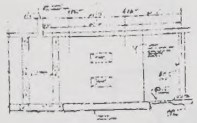
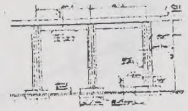
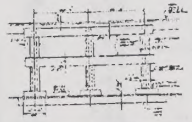
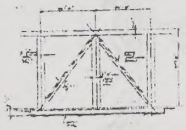
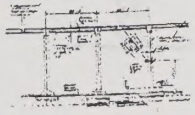
CHECKED BY _____ DATE _____

SCALE 1/8"=1'-0"



TYPICAL BAY BRACING

KEY
5 GOOD
4 BETTER THAN AVERAGE
3 AVERAGE
2 WORSE THAN AVERAGE
1 POOR

	PERFORMANCE LEVEL	SEISMIC PERFORMANCE	STRENGTH	LINER PENETRATION	FIRST COST	SPACE IMPACT	PROJECT BUDGET	PROJECT SCHEDULE	PHASED CONSTRUCTION	MAINTENANCE	LOCALIZED FAILURE	DAMAGE REPAIR SHUTDOWN	TOTAL
REINFORCED CONCRETE SHEAR WALL 	4	4	4	1	3	1	3	3	4	5	4	4	40
REINFORCED CONCRETE SHEAR WALL 	5	5	5	1	3	1	3	3	5	5	4	5	45
FULL HEIGHT REINFORCED CONCRETE JACKET 	3	3	3	4	4	4	3	3	3	3	1	3	37
PARTIAL HEIGHT REINFORCED CONCRETE JACKET	1	3	1	4	5	4	4	3	3	3	1	1	33
REINFORCED CONCRETE MOMENT FRAME 	4	5	4	1	1	4	3	3	5	5	4	NO 5	44
STRUCTURAL STEEL DIAGONAL ROD BRACING	3	3	1	5	5	1	5	5	1	YES 1 5	5	1 3 YES	45 36
DIAGONAL BRACING 	4	4	YES 5	1	4	3	4	4	4	3	3	YES 3	42
ROOF REPLACEMENT 	3	2	2	5	1	4	1	4	3	2	2	3	32

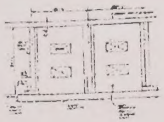
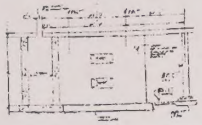
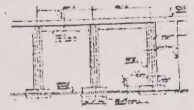
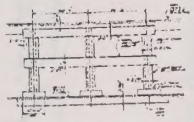
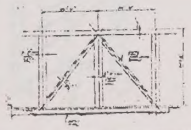
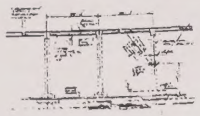
316 SS. RODS W/ 316 SS UNDERCUT ANCHORS CLEVIS/ TURNBUCKLES

SOHA Engineers
550 Kearny St., Suite 200
San Francisco, CA 94108
T 415 989 9900
F 415 989 9909

SOH & A JOB NUMBER: 9708.050

SUNSET RESERVOIR
SEISMIC RETROFIT ALTERNATIVES MATRIX

KEY
5 GOOD
4 BETTER THAN AVERAGE
3 AVERAGE
2 WORSE THAN AVERAGE
1 POOR

	PERFORMANCE LEVEL	SEISMIC PERFORMANCE	STRENGTH	LINER PENETRATION	FIRST COST	SPACE IMPACT	PROJECT BUDGET	PROJECT SCHEDULE	PHASED CONSTRUCTION	MAINTENANCE	LOCALIZED FAILURE	DAMAGE REPAIR SHUTDOWN	TOTAL +
REINFORCED CONCRETE SHEAR WALL 	4	4	4	1	3	1	3	3	4	5	4	4	40
REINFORCED CONCRETE SHEAR WALL 	5	5	5	1	3	1	3	3	5	5	4	5	45
FULL HEIGHT REINFORCED CONCRETE JACKET 	3	3	3	4	4	4	3	3	3	3	1	3	37
PARTIAL HEIGHT REINFORCED CONCRETE JACKET	1	3	1	4	5	4	4	3	3	3	1	1	33
REINFORCED CONCRETE MOMENT FRAME 	4	5	4	1	1	4	3	3	5	5	4	5	44
STRUCTURAL STEEL DIAGONAL ROD BRACING	3	3	1 (3)	5	5	1 (3)	5 CHEAP!	5	1	1 (5) ALL STAINLESS	5	1 (3)	WINNER 36 (46)
DIAGONAL BRACING 	4	4	5	1	4	3	4	4	4	3	3	3	42
ROOF REPLACEMENT 	3	2	2	5	1	4	1	4	3	2	2	3	32

USE 316 STAINLESS STEEL RODS, TURNBUCKLES AND UNDERCUT DUCTILE ANCHORS

SOHA Engineers
550 Kearny St., Suite 200
San Francisco, CA 94108
T 415 989 9900
F 415 989 9909

SOH & A JOB NUMBER: 9708.050

SUNSET RESERVOIR
SEISMIC RETROFIT ALTERNATIVES MATRIX

SFPUC
WATER
HETCH HETCHY WATER & POWER
CLEAN WATER

SAN FRANCISCO PUBLIC UTILITIES COMMISSION
1155 Market St., 4th Floor, San Francisco, CA 94103 • Tel. (415) 554-3155 • Fax (415) 554-3161

WILLIE L. BROWN, JR.
MAYOR

ANN MOLLER CAEN
PRESIDENT
E. DENNIS NORMANDY
VICE PRESIDENT
ASHOK KUMAR BHATT
JEFFREY CHEN

PATRICIA E. MARTEL
GENERAL MANAGER

June 7, 2002

Mr. Rich Bodisco
Bodisco Real Estate
185 Vasquez Ave
San Francisco, CA 94127

Dear Mr. Bodisco:

This is to acknowledge your telephone call to my office on May 5, 2002 in which you stated that you have made several Sunshine requests for information which to date have not received responses. We have searched our records and believe that the only pending Sunshine request was made in your voice message to Ms. Karen Kubick on May 24, 2002. In that request you asked for soil analysis from the Calaveras Dam site. Our consultant is still conducting research at the site, however, we have draft data for review.

Pursuant to your request, we have made arrangements with Tom Lutge to view the document on Monday, June 10 at 3:00 p.m.. It is our understanding after further conversation with Mr. Lutge that he would also like to review drawings and documents related to the Sunset Reservoir. Those documents will be made available for Mr. Lutge's review in our office on June 10, 2002, as well. If you believe you have outstanding Sunshine requests, please provide me with copies of those requests so I can investigate their status.

On a separate issue, we have arranged a site visit for Mr. Lutge at Sunset Reservoir on Tuesday - June 11, 2002. Mr. Lutge has indicated that following the review of the geotechnical data, he may or may not need to visit the Calaveras Dam. We will make arrangements for Mr. Lutge's following the data review if he is still interested.

If you have any further questions, please contact me at (415) 554-3160.

Cordially,

Patricia E. Martel
General Manager

San Francisco Public Utility

Infrastructure Task Force

Mechanical Engineer Report

By

Natalie Alavi, P. E.

NBA ENGINEERING, INC.

San Francisco • Oakland

June 14, 2002

Richard Bodisco: Chairman, Mayor's Public Utilities Infrastructure Task Force
City Hall
San Francisco, CA 94102

RE: COMMENTS TO BE INCLUDED IN THE FINAL REPORT FROM THE MAJOR'S PUC INFRASTRUCTURE TASK FORCE

Dear Richard,

After listening to the proposed capital improvement plans (CIP) and long-range strategic and financial plan presented by PUC general manager and staff, and reviewing the R.W. Beck final report as well as blue ribbon panel independent evaluation of that report the following are my understanding.

1. There were three elements addressed by the capital improvement documents; aging infrastructure, changing regulatory requirements and increased demand.
2. The other issue is how to finance this CIP program by issuing 1.6 billion dollars bonds on November ballot or alternative plans such as issuing a second ballot to raise rates by 12% beginning Jan 1, 2003 despite prop H (passed in 1998 which capped the rate increase).

I would like to comment on both of the above issues

- Comment on # 1 above issue – why capital improvement documents only addressed those above three elements and there was no mention of security (with no budget allocated to it) & energy concerns. As you know in to days' political environment the vulnerability of water treatment plants due to terrorist attack can be a major issue. Also designing an energy efficient system can, not only reduce the operating cost of these plants but also have major impact on reducing the city's power requirements which were not explored in these studies.

- Comment on #2 above issue. Due to today's economic climates and the effect that the increase in rates would have on local businesses (not to mention Prop H) i.e. Hotels etc. passing this rate increase on November ballot by the voters may be a difficult task. So this would reduce the funding alternatives into one which is issuing bonds and making sure it passes in November.

  Not being a bond expert, I believe (also by talking to several residence) passing an $800,000,000 bond on November ballot would be a much easier task than 1.6 billion dollars. If decisions is made to use $800,000,000 instead of 1.6 billion dollars, public needs to be informed that this reduction is partially due to care and consideration that has been given to the tax payers.

897 Hyde St., 2nd Floor, San Francisco, CA 94109 < Tel (415) 202-9840 Fax (415) 202-9838

However I might add that what no one has brought up in the above mentioned studies is how to stretch the proposed budget to complete more projects with the same fund (i.e. 800 million). Perhaps the 800 million would be a Phase I project. The Task Force believes that some sort of oversight committee should be created and I agree.

The answer to that is the relatively new technology that has been used in more than 100 cases in Europe and about twelve locations in U.S.

This relatively new technology is extremely advantageous to the environment (almost no sludge to dispose), produce potable water at less than 25% to 50% of first cost of the traditional system, reduces energy which results in lower operating cost, and solves the newly raised security concerns about vulnerability of water treatment plants. Also, uses practically no chemicals and requires less maintenance and supervision at the site.

I believe this new technology needs to be explored. I could assist the mayor's office by putting them in contact with the international experts that I know and arrange a presentation.

Please call me if you have any questions or need additional information at (415) 202-9840.

Very truly yours,
NBA Engineering, Inc.

Natalie Alavi, P.E.
President

San Francisco Public Utility

Infrastructure Task Force

Final Report – The Environment

Alliance for a Clean Waterfront

By

Douglas Kern – Task Force
Jennifer Clary, Chair - AFCWF

THE MAYOR'S
SAN FRANCISCO PUBLIC UTILITIES COMMISSION
INFRASTRUCTURE TASK FORCE

REPORT OF ENVIRONMENTAL AND COMMUNITY FINDINGS

DOUGLAS R. KERN, Task Force Member
Alliance For A Clean Waterfront
Submitted: September 2, 2001

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1 EXECUTIVE SUMMARY

Like other members of this diverse Task Force, neighborhood advocates and the environmental community are bewildered by the PUC's unwillingness to address long-stated community goals for a more environmentally just, environmentally sustainable, and cost-effective wastewater system. The PUC's reluctance to incorporate community concerns has resulted in an un-fundable set of capital improvement projects. To move forward the PUC must meet two related challenges: (1) conduct a fair analysis of a range of wastewater treatment options, and (2) define the agency's long term vision and adequately address community concerns through meaningful public participation.

The PUC's failure to listen to wastewater system constituents is comprehensive. PUC leadership has refused to examine a range of options designed to economically and strategically reduce sewage facility impacts to the Bayview Hunters Point neighborhood and to eliminate combined sewage and stormwater overflows to the Bay and ocean. The organization has ignored and marginalized the Technical Review Committee (TRC), the City's independent advisory panel of internationally respected wastewater experts. US Environmental Protection Agency funding granted to investigate alternative wastewater treatment technologies for San Francisco has produced such a poor report as to imply that funds may have been misused. PUC actions have contradicted the expressed will of three unanimous SF Board of Supervisors resolutions over the last 6 years and ignored the urging of its own Commissioner Caen.

PUC unresponsiveness has squandered opportunities to address community wastewater concerns as massive development projects permanently alter the City's east side. Mission Bay and Pacific Bell Park are two developments where PUC inaction cost opportunities to create a cleaner, fairer, and cheaper wastewater system. Meanwhile, the agency spends millions on facility design, environmental impact reports and public relations for projects that place an unfair burden on the Bayview community.

The Sludge Digester Project, A Case Study Of PUC Failure

The Sludge Handling Facilities Rebuild, or "Digester Project," exemplifies Task Force criticism of the PUC as an unresponsive and unaccountable bureaucracy. The Digester Project, estimated to cost between $250-$300 million, will encumber the Bayview community with five industrial-looking, egg-shaped sludge digesters, each potentially extending *more than* one hundred feet into the air. Despite broad and long-standing community opposition, the project is the centerpiece of nearly $900 million in spending designed to perpetuate centralized sewage treatment in the Bayview.

The TRC has acknowledged the need to reduce environmental justice impacts of continued sewage treatment in the Bayview and advised the PUC that the digesters feasibly may be relocated out of the neighborhood. Individual TRC members have questioned whether the proposed technology is the most appropriate. Community and environmental groups have urged the PUC to conduct an independent review of technical options and potential digester locations outside the Bayview. However, the PUC has failed to allow an independent review of cost effective and less obtrusive alternative technologies.

In September 2000 the PUC released a draft Screening of Feasible Technologies (SOFT) study, partly as a response to citizen demand and Board of Supervisors resolutions dating back to 1995. The seriously flawed draft omitted critical information, and remains incomplete one year after its release.

The PUC began an EPA funded assessment of opportunities for alternative sewage treatment methods and technologies at the Mission Bay, Hunters Point Shipyard, and Candlestick Stadium/Mall development projects. The Mission Bay study is unfinished, despite PUC claims to the contrary. The study violates an explicit promise to environmental and community groups that there would be a full assessment of strategies for reducing to the greatest extent feasible, sewage from Mission Bay to the Southeast Plant. The Hunters Point and Candlestick analyses have not been initiated. Lack of progress

on these studies wastes unprecedented opportunity to legitimately share wastewater treatment responsibilities with major developments.

What Can Be Done?

1. The PUC should discontinue environmental review, design and marketing expenditures for the proposed industrial, egg-shaped digesters. In addition, the TRC should be convened immediately to design and actively monitor technologies and appropriate alternative locations for sludge handling facilities. Furthermore, the PUC should act quickly to generate new options to alleviate problems created by the obsolete digesters.
2. The PUC must begin a Long Term Strategic Plan (LTSP) that is responsive to public input and technical direction from the TRC. Among the top goals that an acceptable LTSP must address:
   - **An environmentally just system:** 80 % of the City's sewage is treated at the plant centralized in the Bayview. The PUC must reduce the unfair burden placed on Bayview Hunters Point and develop shared responsibility for citywide wastewater treatment.
   - **An environmentally sustainable system:** The PUC should take a lead role in improving offshore water quality by aggressively seeking additional solutions to annual combined sewer overflows. Wastewater should be considered a resource for water recycling, wetlands habitat and recreational uses. Water recycling should be part of a distributed wastewater treatment strategy.

   1 **A cost effective system:** Alternative, modern technologies and wastewater management strategies such as partial decentralization and multiple land use could help the City meet wastewater treatment demands while achieving goals of fairness and sustainability. Innovative solutions created with community support may be cheaper than the centralized treatment option.
3. Complete a comprehensive SOFT study and incorporate findings into a LTSP.
   - Despite significant shortcomings, SOFT accurately identifies "community values" for the Waste Water Program and provides an adequate starting point for further analysis. To complete the report the PUC should charge the TRC with: (1) developing a scope to improve the study; (2) overseeing of the analysis to ensure compliance with the study's scope; and (3) preparing a report summary. Public participation should involve the community in selection of study consultants and allow for detailed review of the document prior to finalization.
4. Inform the LTSP by evaluating future development opportunities.
   - Complete the Mission Bay, Hunters Point and Candlestick Stadium/Mall analyses. Additional site-specific studies should include other major developments on Port of San Francisco lands and the Central Waterfront and the potential for sustainable wastewater treatment at the Presidio.

Conclusions

In conclusion, successful implementation of these actions will be valuable first indicators of a new PUC responsiveness to community concerns as re-articulated by the Task Force. Voter approval for revenue bonds and rate increases requires a new PUC organizational culture of innovation, inclusiveness, and social responsibility. Anything less will continue to leave the agency powerless to perform its basic mission.

2 INTRODUCTION

The City of San Francisco needs to adopt a holistic, watershed management approach to stormwater and sewage treatment. The City's wastewater challenges present an unprecedented opportunity to redefine how San Francisco manages this critical responsibility. To meet environmental justice and environmental quality challenges in a fiscally responsible fashion with ratepayer support will require the combining of technical and engineering solutions with social responsibility.

3 THE NEED FOR SUSTAINABLE WASTEWATER SOLUTIONS

San Francisco's sewage and stormwater system is plagued with problems. The Bayview Hunters Point neighborhood is unfairly burdened with the Southeast Sewage Treatment Plant (SE Plant). The SE Plant with its accompanying odors, stigma, and blight, treats 80% of the City's sewage. Sewage and stormwater are treated together in a combined system that periodically overflows during significant rain events. These sewage overflows cause raw sewage and untreated stormwater to flow into Bayview streets, the San Francisco Bay and the Pacific Ocean.

Major new development projects like Mission Bay, Pacific Bell Park, Sony Metreon, high-rise condominiums, hotels, and offices all send sewage to the SE Plant. Pending projects such as Hunters Point Shipyard, Candlestick Stadium/Mall, Bayview Hunters Point Revitalization, and the Central Waterfront redevelopment, threaten to push additional sewage to the Bayview, the Bay, and the ocean. Rather than pay for more efficient and environmentally just treatment options, new developments hook into the aging, centralized system, using the ratepayers' sunk costs as a subsidy.

For many years, concerned residents have appealed to the City to identify sustainable wastewater treatment strategies in an effort to alleviate burdens on the Bayview, improve Bay and ocean quality, and make the most efficient use of the City's scarce natural and financial resources.

4 CAPITAL IMPROVEMENT PLAN

The Capital Improvement Plan (CIP) shows major wastewater projects proposed for the next 10 years. Nearly a billion ratepayer dollars must be spent for repairs, maintenance, and upgrades – all within the limitations imposed by 1998 Proposition H rate freeze. Prudent fiscal planning is essential.

4.1 Problems with the CIP

- Replacement of the sludge digesters is among the highest priority capital expenditures in the proposed CIP and one of at least nine projects emphasizing the SE Plant. Despite major opposition by residents, the ACW, and other stakeholders,[1] the PUC proceeds with final design and environmental review for unsightly digesters located at the community's Islais Creek gateway, incorporating technology considered outdated by some TRC members. Rather than work with community representatives to identify appropriate alternative locations and treatment technologies, the PUC dismisses opportunities to develop solutions with an interested and involved constituency.
- The CIP is not based on an acceptable Long Term Strategic Plan (LTSP).

[1] Bayview residents and ACW members asked that major capital projects, particularly the digesters, be examined as part of the SOFT study during initial scoping and planning meetings. Any plans should also undergo TRC review. The PUC repeatedly denied these requests. The Mayor's PUC Infrastructure Task Force raised the digester issue in October 2000 and again in May 2001, where the community expressed strong displeasure with PUC movement to final design and environmental review in the face of strong opposition from relevant stakeholders.

- A significant portion of the wastewater collection system is nearly 100 years old and will need extensive repair and seismic work to avoid potential failures.[2] These repair needs offer a chance to plan for an orderly upgrade of outdated infrastructure. Yet, no analysis for reducing infrastructure impacts to the Bayview, Bay, and ocean has been completed.

4.2 Recommendations for the CIP

- Appoint a PUC General Manager who is responsive to community needs.
- Develop new priorities for capital improvements with the community.
- Stop further work on the Digester project. Work with the TRC to conduct an immediate fast-track review of appropriate alternative locations and feasible technologies to eliminate visual blight, odor problems, and other environmental impacts on the Bayview. Make immediate low-cost improvements to the existing facility to alleviate odors while permanent long-term solutions are developed.
- Link SOFT identified technologies with sewer replacement and upgrade program. Create a 10 year, $250 million phase-in of solutions identified as part of SOFT.
- Engage the TRC to meet the concerns of the City's stakeholders. The TRC should be funded to provide technical expertise to the PUC Commission and the General Manager, and help develop the scopes of work and evaluation criteria for future capital projects.
- Employ alternative strategies to reduce the burden on the Bayview where feasible and cost effective.
- Investigate how distributing wastewater treatment to new developments will increase system adaptability and flexibility after major seismic events.

5 SCREENING OF FEASIBLE TECHNOLOGIES (SOFT)

The PUC began work on SOFT in September 1999. Community representatives requested that the PUC identify wastewater system technological options to meet concerns of various stakeholder groups including impacted communities, environmental advocates, and ratepayers. A draft was released in September 2000 for public review.

5.1 Problems with SOFT

- SOFT remains incomplete more than nine months after release.
- SOFT did not effectively utilize the TRC[3] to either develop the project's scope of work or provide timely, substantive review while the study was underway. There has been no action on the TRC's September 2000 comments, or on the Committee's offer to correct the items of concern.

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[2] PUC *Capital Improvement Plan* 3/5/2001 at p. 21

[3] Since 1994, the public has relied on the Technical Review Committee (TRC) to be an unbiased analyst of PUC proposals and to offer recommendations for improvements to meet environmental justice, improved discharge water quality, and economic efficiency concerns. The TRC was created in response to community requests for independent, technical assessment of the "Crosstown Tunnel," a plan to send combined sewage overflows from the SE Plant to the Oceanside Treatment Plant. The TRC is a seven-member committee of esteemed wastewater professionals, academics, and regulators who evaluate wastewater treatment options and technologies for the City of San Francisco. Unfortunately, the PUC has not utilized the TRC as a resource for innovative solutions to City wastewater challenges.

The SOFT study did NOT:

- Address the dominant concern of environmental and community advocates to reduce sewage treatment impacts on the Bayview, the Bay and the ocean.
- Adequately assess future growth, pending regulatory changes, environmental impacts of sewage treatment and combined sewage/stormwater overflows, or the increased beneficial uses presented by sustainable wastewater treatment methods.[4]
- Include needed site-specific studies.
- Provide a useful framework for technical decision-making.
- Include a screening of technologies against community values–a principal reason for producing the report.
- Provide useful information for economic decision-making.
- Provide useful information for a long-term strategic plan.

5.2 Recommendations for SOFT

- Complete the SOFT Report.
- Use the TRC to develop a scope of work to correct the SOFT study.
- Allow for public participation in the selection of study consultants.
- Update all relevant growth assessments, regulatory forecasts, and environmental analyses, with review by the public and the TRC.
- Assign a mutually agreeable TRC member for hands-on oversight of a draft final report.
- Provide a public comment period and a thorough community review prior to document finalization and incorporation into a LTSP.

6 STRATEGIC OPPORTUNITIES AT PENDING DEVELOPMENTS

By incorporating innovative, localized wastewater treatment methods, major development projects offer opportunities to begin reducing Bayview's disproportionate sewage burden. With the ACW's assistance, the PUC secured US Environmental Protection Agency funding for "site specific" studies to evaluate sustainable wastewater treatment options at three major pending developments–Mission Bay, the Hunters Point Shipyard, and the Candlestick Stadium/Mall project. In addition, the ACW has requested the PUC anticipate other sites where opportunities for sustainable wastewater treatment may be available.

[4] The PUC relies on questionable assumptions for much of its decision-making. For example, east side growth projections haven't been updated since the 1997 Bayside Study, thus misrepresenting the future impacts on the Bayview, Bay, and ocean. Tightening regional, State, and Federal regulations and water quality standards, as well as the Regional Water Quality Control Board's determination of Islais and Mission Creeks as "Potential Toxic Hot Spots" may restrict CSOs and necessitate extensive capital expenses; a 22-year old study is used to measure the impacts of polluted CSOs on wildlife, ignoring the tremendous advances in scientific understanding of the ecological impacts of polluted water discharges; and creative investigations of uses for reclaimed water for industry and the environment are non-existent.

6.1 Problems with PUC handling of strategic opportunities at pending developments.

- **Mission Bay:** The Mission Bay analysis remains unfinished, with significant comments from the TRC and the public still not considered or incorporated into the study.
- **Hunters Point:** Hunters Point Shipyard will require a entirely new wastewater infrastructure and offers a tremendous opportunity for incorporation of innovative sewage and stormwater treatment methods and technologies. However, an analysis of those methods and technologies at Hunters Point Shipyard analysis has not begun, despite a March 2000 development concept submittal to the Redevelopment Agency, and ongoing negotiation of a project term sheet with Lennar BVHP Partners. Responding to community questions regarding the project's sewage impacts, Lennar, on the basis of PUC staff estimates, suggested that methods other than directing sewage to the SE Plant would result in a 7-10 year project delay. The grounds for these PUC estimates, however, have not been substantiated publicly, and less time-consuming alternatives to redirecting sewage exist.
- **Candlestick Stadium/Mall:** Difficulties in moving forward on the 49'ers and the Mills Corp. project offer a window of opportunity for the PUC to complete necessary assessments prior to pre-development planning. However, the Candlestick Stadium/Mall analysis also has not begun, the PUC thus dismissing yet another opportunity to reduce impacts on the Bayview and the Bay.
- **Other Projects:** Other public investment projects and initiatives such as Treasure Island, the Port of San Francisco's stormwater compliance plan, the Central Waterfront redevelopment, and Lake Merced's water level problems provide additional opportunities to address San Francisco's wastewater challenges. The PUC has ignored these possibilities as well.[5]

6.2 Recommendations for strategic opportunities at pending developments

- Immediately review major pending developments for wastewater impacts and opportunities.
- Complete the EPA funded analysis of sustainable wastewater treatment methods for Mission Bay, Hunters Point, and Candlestick Stadium/Mall.
- Begin a TRC led review of other major development projects and strategic public investments where sustainable wastewater treatment options might be incorporated.

[5] Both the Treasure Island Development Authority and the Port of SF have, in part, incorporated ACW proposals for sustainable wastewater treatment methods. At Treasure Island, a commitment exists to develop stormwater treatment wetlands on the north side of the island, with only minimal PUC involvement. The Port hired an ACW approved consultant team to develop advanced stormwater pollution prevention plans for the Southern Waterfront Project Area – without assistance from the PUC – and to review the site specific stormwater pollution prevention plans of the Port's incoming industrial tenants.

7 CONCLUSIONS

7.1 The CIP is un-fundable.

- The proposed five 80-100 ft tall digesters are an unsightly, unacceptable, visual blight and an affront to the neighborhood.
- The digester project forces 80% or more of San Francisco's sewage treatment directly on the SE community–indefinitely.
- The project is the most expensive element of SFPUC piecemeal approach to CIP requests emphasizing the SE plant.

7.2 The PUC is unresponsive to community needs.

- The PUC ignores long-standing Bayview community needs.
- The PUC does not complete studies requested by the involved public, the Board of Supervisors and PUC Commissioners.
- The PUC ignores technical comments provided by interested, involved and knowledgeable constituents.
- The PUC spends ratepayer dollars on public relations campaigns for potential projects unwanted by the community where the project is to be located.

7.3 Opportunities to create a fairer, better, cheaper wastewater system are being wasted by the PUC.

- Large, new developments on the City's east side do not incorporate wastewater treatment responsibilities.
- New developments send additional sewage to the SE Plant, further burdening the neighborhood.
- Needed and requested studies remain incomplete or are never initiated.

8 RECOMMENDATIONS

8.1 Create a more environmentally just, environmentally sustainable, and cost-effective wastewater system.

- Shrink the footprint and reduce the maintenance requirements of the SE plant.
- Reduce impacts to the community (odor, sewage flows in streets).
- Share wastewater treatment with new development.
- Eliminate combined sewage overflows.
- Utilize wastewater a resource for water recycling, wetlands habitat and recreational uses.
- Include water recycling as part of a distributed wastewater treatment strategy.
- Explore modern wastewater management strategies such as partial decentralization and multiple land use to achieve fairness, sustainability and cost-effectiveness.
- Increase the adaptability/flexibility of the sewage treatment system's response to seismic events.

8.2 Complete a viable LTSP.

- Incorporate into a LTSP findings of a completed SOFT study that fairly evaluates alternative wastewater treatment systems and locations to the SFPUC egg-shaped digester proposal.
- Select LTSP and SOFT study consultants with approval from the community.
- Build in TRC oversight of study scope and review.
- Commit City agencies to reducing impacts on SE neighborhood and to share wastewater treatment responsibility with new developments such as Mission Bay.

8.3 Establish a new culture of public involvement and open planning and decision-making at the PUC.

- Work with the community to develop capital improvement priorities.
- Use SOFT study community values as SFPUC project evaluation criteria for future planning efforts.
- Appoint a new PUC General Manager who is responsive to public input.

8.4 Create a PUC organizational culture that rewards innovative, forward thinking.

- Fund and incorporate the TRC into PUC decision-making.
- Appoint a new PUC General Manager who is willing to seek engineering solutions that are socially sensitive and responsible.

In conclusion, successful implementation of these actions will be valuable first indicators of a new PUC responsiveness to community concerns as re-articulated by the Task Force. Voter approval for revenue bonds and rate increases requires a new PUC organizational culture of innovation, inclusiveness, and social responsibility. Anything less will continue to leave the agency powerless to perform its basic mission.

9 COMMUNITY VALUES SUMMARY

(from draft SOFT Study document)

- Protect Public Health
- Maximize Public and Worker Safety
- Protect Ecological Health of Bay, Creeks, Ocean
- Minimize Costs and Adverse Economic Impacts
- Promote Environmental Justice
- Protect Neighborhood Quality of Life
- Promote Current and Future Regulatory Compliance
- Protect Beneficial Uses of Water Resources
- Maximize Water Resource Quantity
- Balance and Optimise Land Use
- Support Community Enhancement Opportunities
- Maximize Technology Information Value

10 ALLIANCE FOR A CLEAN WATERFRONT

Members

- Arc Ecology
- Coalition for Better Wastewater Solutions
- Communities for a Better Environment
- Dolphin Club
- Earth Island Institute
- Golden Gate Audubon Society
- Mission Creek Conservancy
- San Francisco League of Conservation Voters
- San Francisco Tomorrow
- Sunset Community Democratic Club
- Surfrider Foundation – San Francisco Chapter
- Treasure Island Wetlands Project
- Urban Watershed Project
- WaterKeepers of Northern California (formerly San Francisco BayKeeper)

Additional contributors to this report

- Bayview Hunters Point Community Advocates
- Friends of India Basin Shoreline Park
- India Basin Neighborhood Association
- Save the Bay

11 ACKNOWLEDGEMENTS

The author would like to thank the following individuals and organizations for their generous assistance in preparing this report:

- Jeff Marmer, Coalition For Better Wastewater Solutions
- Alex Lantsberg, Coordinator, Alliance For A Clean Waterfront
- Ruth Gravanis, Treasure Island Wetlands Project

Alliance for a Clean Waterfront

June 14, 2002

Mr. Rich Bodisco
Chairman, Mayor's San Francisco Public Utilities Commission
Infrastructure Task Force
185 Vasquez Avenue
San Francisco, CA 94127

Subject: Infrastructure Task Force Final Report, Alliance for a Clean Waterfront

Dear Mr. Bodisco:

The Alliance for a Clean Waterfront (ACW) would like to express our appreciation for your ongoing support of long-standing environmental concerns we have detailed through the Mayor's Infrastructure Task Force. The Task Force has been a critical vehicle for bringing these concerns to City officials.

The Alliance remains firmly committed to the ideas we communicated in our *Report of Environmental and Community Findings*, September 2001, submitted to the Infrastructure Task Force. Please find enclosed a copy of that report (updated to accurately reflect our membership). We are hopeful that recent actions taken by the PUC to address long-stated community goals for a more environmentally just, environmentally sustainable, and cost-effective wastewater system will produce results. In the past month The PUC has recognized that their current Clean Water capital plan is unworkable, and has removed the Clean Water portion of the CIP from their current bond program.

This is however only the first step towards fixing the City's dilapidated sewage system and much remains to be done. To that end, Supervisor Sophie Maxwell has agreed to co-sponsor with General Manager Pat Martel a 2-year process to create a new capital plan and bond program for the Clean Water Program. The Alliance will work to ensure that this process addresses the broad range of concerns articulated in the Task Force's Interim Report, particularly the need for the agency to define a long term vision, adequately address community concerns through meaningful public participation, and conduct a comprehensive analysis of a range of wastewater treatment options that meets the goals of environmental justice, sustainability, and cost effectiveness

Although much of the Alliance's focus must of necessity be moved to the new Clean Water process, our long association with the Infrastructure Task Force still makes us wary of the PUC's proposed November bond measure. We believe that any bond measure must incorporate strict accountability requirements, as well as the incorporation of a truly independent project development and review committee to ameliorate public concerns about the PUC's long standing difficulties. Such a committee must be involved as each project is conceived, reviewed and implemented, and would have the authority to halt bond sales if necessary. The Alliance is actively working with bond measure authors to insure proposed legislation meets our stated goals.

Thank you again for your efforts on behalf of the people of San Francisco. We look forward to an ongoing productive working relationship with you as these crucial water treatment and delivery projects are developed.

Sincerely,

Doug Kern
Member, Infrastructure Task Force
Alliance for a Clean Waterfront

Jennifer Clary
Chair
Alliance for a Clean Waterfront

San Francisco Public Utility

Infrastructure Task Force

A Brief Analysis of the CIP

BY

Steven P. Lawrence, J. D.

The Chair extends a special thank you to Mr. Lawrence, a city resident who has provided long hours, and invaluable input for the Task Force.

Report of Steven P. Lawrence, J.D.

June 4, 2002

Richard Bodisco, Chair
Mayor's Infrastructure Task Force

Re: Final Report to Mayor Brown by Infrastructure Task Force

Dear Chairman Bodisco:

Having studied the documents concerned with the SFPUC's Capital Improvement Program, and having attended meetings of the Task Force, the Commission, Beck and Blue Ribbon Panel, Ammiano consensus group, for public outreach, and more, I submit this for the Task Force's final report to the Mayor.

The CIP is beyond the capabilities of the SFPUC to implement; delay, inadequate management, and waste of public monies are probable.

The report of R.W. Beck notes the poor history of bringing in capital projects, and concludes that SFPUC would not be able to deliver the proposed CIP at that rate of project completion. The CIP is ten times as large as what the SFPUC has done in the past. Beck finds seven key areas need to be improved; each is in turn discussed. While Beck expresses no conclusion, the reader must marvel at the extent of improvement required for successful implementation, in the opinion of RW Beck; the words in quotes are Beck's:

1. Program organization has been "scattered" and "project accountability limited".
2. Project monitoring and controls systems are "limited at best", are "outdated" yet "critical to successful implementation"; the schedule for obtaining and implementing project controls is "very aggressive and optimistic".
3. The web based project procedures are a work-in-progress, and it is "difficult to assess how extensively these procedures have been used".
4. Concerning hiring and staffing for the CIP, "the SFPUC commitment in terms of staffing and leadership has been less than would be expected for a program of this magnitude"; integrating new staff will "be a major challenge".
5. Regarding skills and training, "engineers have been trained to create a cost estimating group, but this group has not yet officially come together".
6. The Program Management Consultant, which the Commission determined was needed, is having its contract lapse; "whichever alternative is selected to replace the PMC, a delay

to the overall program schedule will occur"; "12 to 24 months would not be unlikely." Also, with the first PMC a "functional relationship was not established" with staff, and establishing that with the new entity will be "imperative".

7. Accountability and oversight suffer: "the tools are not in place to allow program managers to effectively hold their project managers accountable for the schedule, budgets, and quality of their projects"; "project oversight is needed"; "there is no formal asset management plan".

In sum, the SFPUC has a very long way to go before it can successful implement its CIP, and, in Beck's opinion, right at the start there will be a delay of perhaps 12-24 months. The CIP is a huge endeavor. Similarly large public works programs notoriously suffer delays and cost overruns. Here, the hallmarks of success are, unfortunately, absent.

There is a significant chance that the CIP contains projects that are padded with excess cost, are unnecessary, or are ill-conceived.

Because most of the projects were developed by staff, were not made transparent and have been little reviewed, opportunity existed for padding the program with a wish list of wasteful spending designed to anticipate and encompass cost overruns, provide financial cover and cushion, and satisfy desires for power and influence at the expense of the unwitting ratepayer. The list of projects changed continually throughout the CIP process. Huge projects, such as the Calaveras Dam, were added late. (Replacement of that dam may be unnecessary; over $100m might be saved by less ambitious plans which would be more likely to be implemented timely.) The program will continue to change: "The CIP projects and schedule may change over time. [Projects may] be deleted or decreased significantly over time." (CIP-28.)

The cost of the program rose relentlessly over time from $3.8, to $4.4, to $4.6 billion. (Now Clean Water has been set aside for later, and about $2 billion subtracted for the Peninsula financing authority to pay up front, an accounting maneuver.) Had the projects come under serious scrutiny, costs would have gone down as some works were deemed too ambitious.

Even the CIP report of the SFPUC itself does not claim that the CIP is "necessary" or "essential", or even "important". The report does describe the billion dollar ten year repair and replacement (R&R) program, to be done without bond financing, as "essential", so the omission

is significant.

Nor does one find other indicators that the CIP is necessary. For example, there is no study showing how maintenance and repair costs have been rising prohibitively. Surprisingly, there is no disaster plan in the event of an earthquake, and so no picture is painted of undue suffering if the CIP is not implemented. In the next thirty years, there is said to be a 70% chance of a major quake on one of the three faults the system crosses, but it is only if a big quake hits the San Andreas that the city is without piped water, and then for days 3-30; conservative assumptions are made about how full the reservoirs would be, and it is assumed that roofs collapse and that the resulting questionable water is not piped, so actual experience might not be as bad. Of course, if the quake is big enough, it may disrupt even the new water system. But at most, a one in four chance of being without piped water for 27 days is forestalled by the program. Where along the fault line might the quake hit, and what size shake will the water facilities take? The facilities survived the 1989 quake without significant damage, and without disruption. But these matters receive very little discussion. It is simply to be assumed that the work is critical because water is. Humans cannot avoid risk from natural occurrences, and cannot fully ensure water supply; yet the fundamental questions of how much should be invested and what level of assurance is prudent are not addressed. The SFPUC has decided for us--discussion unnecessary.

The CIP gives the General Manager $276 million of pocket money (called management reserve, pg CIP-29). That is on top of the ten percent contingency built into every project. Such budgeting largesse is inconsistent with fiscal prudence.

The PUC will likely claim that R.W. Beck, its "independent" consultant, approved the projects. But that should be given little weight. Beck's work was done in a matter of weeks. How could Beck review the 95 projects of the CIP? Moreover, under the heading "principal considerations and assumptions", the Beck report says: "the evaluation did not include technical analysis of the projects or confirmation of cost estimates or proposed schedules." (ES-5.) Approval given to the program was upgraded between Beck's interim report (4/26/02) and its final report (5/02), giving rise to suspicion that pressure was applied. Little or no weight should be given to Beck's blessing of the CIP.

Voters authorizing A&B bonds five years ago were assured that the expenditure of monies would provide "improvements...ensuring the system's ability to deliver safe drinking water". In November the voters are to be asked for a great deal more money to do the same.

Although as of January 1, 2002 less than half of the $300 million of A&B money had been spent on system improvements, the SFPUC is back asking for much, much more. Prop B projects had incurred cost overruns in planning and design of 39%. A program less than one-tenth the size of what is now proposed is behind schedule, and over budget.

Oversight of the capital program is essential.

The SFPUC has avoided oversight, but the voters demand and deserve accountability for the vast sums they may approve. Too much bond money has been misspent. R.W. Beck agrees: one its twenty recommendations is: "Implement a CIP oversight committee" to "ensure that the program is proceeding according to plan". The Blue Ribbon Panel agrees.

The CIP recognizes that it is far from a final plan: "The CIP projects and schedule may change over time." "Some projects [may] be deleted or decreased significantly in size." (CIP-28.) Voters want to know that what they authorize is actually built, yet in this case, the only thing to be truly authorized is the same thing that was promised five years ago in support of A&B bonds: "improvements...ensuring the system's ability to deliver safe drinking water". "Trust us", is what the SFPUC effectively says. That is not good enough.

San Francisco recently voted for bond oversight for general obligation bonds. This or something like it needs to be extended to the revenue bonds financing water system capital improvements.

My focus has been on the capital program to be implemented. To its credit, the SFPUC has realized that it is not ready with its Clean Water portion, about one billion dollars worth of work, and it has taken that off the table for two years. Concerning the balance of the program, it appears that the out-of-city users have made the SFPUC feel that it has a gun to its head, so it is rushing ahead with the bulk of its program to forestall losing control of its system. That reaction is understandable. But it is a course likely to lead to delays, cost overruns, and a waste of public funds. In the final analysis, will control stay with an agency that bites off much more than it can chew? How much money will San Franciscans waste along the way? What will happen to bond

ratings when early project implementation fails? With the program so large and expensive, there is too much risk in rushing ahead inadequately prepared. By the raging river of politics, fiscal prudence is being swept away.

Thank you for this opportunity to express my views to the Task Force.

Very truly yours,

Steven P. Lawrence

Steven P. Lawrence
55 Montalvo Avenue
San Francisco, CA 94116.

The author is a retired lawyer who represented public entities operating wastewater treatement plants in connection with construction disputes and avoidance of the same. He may be reached at 665-9450 or splawrence@earthlink.net

SAN FRANCISCO PUBLIC UTILITIES COMMISSION
1155 Market St., 4th Floor, San Francisco, CA 94103 • Tel. (415) 554-3155 • Fax (415) 554-3161

WATER
HETCH HETCHY WATER & POWER
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E. DENNIS NORMANDY
VICE PRESIDENT
ASHOK KUMAR BHATT
JEFFREY CHEN

PATRICIA E. MARTEL
GENERAL MANAGER

Date: May 31, 2002

To: Richard Bodisco
Member, Infrastructure Task Force

From: Patricia E. Martel, General Manager

Subject: R.W. Beck Findings: Capital Improvement Program Review

---

The staff of the SFPUC have developed a comprehensive plan to improve the reliability of our water system and to reduce its vulnerability to failure. On May 28, 2002, the SFPUC approved the Capital Improvement Plan (CIP) and has adopted a resolution urging the Board of Supervisors to provide for a special election on November 5, 2002 for the issuance of revenue bonds not to exceed $3,628,000,000 to finance the local water and regional water system improvements.

In conjunction with the deliberations conducted by the PUC on the proposed CIP, independent engineering and financial analyses was completed on the proposed plans by R.W. Beck. Beck is an engineering and financial consultant that conducts independent reviews and validation on proposed infrastructure programs and bond issuances.

Enclosed are the findings produced by R.W. Beck covering the review of the SFPUC's Capital Plan. The R.W. Beck findings indicate that the development of the SFPUC CIP was based on a valid process. The key assumptions on which the CIP was developed were both accurate and valid. The projects identified and priorities established are based on rational and achievable goals and objectives. There is room for refinement and improvement, but no fatal flaws have been identified, nor is there a need for any substantive revisions that would substantially alter the current documents.

The implementation plan, however, is the focus of concern. There is a significant risk that the planned level of project delivery cannot be achieved under current conditions. A set of related recommendations to address these risks has been included in the report. It is my intent to carefully review each recommendation and take appropriate steps to move forward with addressing these concerns by implementing the consultant's recommendations.

A Blue Ribbon Committee of professionals with expertise in water delivery, infrastructure, planning, finance and other disciplines was convened by San Francisco Planning and Urban Research (SPUR) to review the R.W. Beck analyses of the Capital Improvement Plan. Attached is a copy of the Blue Ribbon Committee's report to the SFPUC.

Please do not hesitate to contact me at (415) 554-3160 with any questions that you may have.

San Francisco Public Utility

Infrastructure Task Force

Relative Communications
Willie Lewis Brown, Jr., Mayor
To the Honorable Louis Papan

Chairman – Richard Bodisco
To the Mayor and Public Utilities Commission

Arthur Jensen, Manager – BAWUA
To the Honorable Louis Papan

Task Force Members letters

Citizen letters to the Chair

OFFICE OF THE MAYOR
BUDGET AND LEGISLATIVE AFFAIRS

WILLIE LEWIS BROWN, JR.

April 4, 2002

LJP NL GH JM HP
BG MS BY

APR - 5 2002

The Honorable Lou Papan
California State Assembly
State Capitol, Room 3173
Sacramento, CA 95814

RE: Assembly Bill 1823 -- OPPOSE

Dear Assembly Member Papan:

The City and County of San Francisco reluctantly opposes your legislation, AB 1823, for many reasons, a few of which are discussed below.

AB 1823 is not necessary. SFPUC is aggressively addressing San Francisco's regional water system structural needs. SFPUC has already adopted a 6-year Capital Improvement Program for exactly that purpose. Moreover, SFPUC is moving forward with plans to place a $4.6 billion bond measure on the November 2002 ballot in San Francisco, which is intended to pay for the required improvements. SFPUC plans to begin implementation of the Capital Improvement Program in 2003. In short, SFPUC is already doing what needs to be done.

San Francisco's Hetch Hetchy Project was constructed and is operated pursuant to rights granted by Congress to San Francisco under the 1913 Raker Act. The Raker Act granted to San Franciso the authority to operate the Hetch Hetchy Project for the co-equal purposes of supplying water to the San Francisco Bay Area and supplying power to San Francisco. Historically, San Francisco has defended these important rights and I expect that it will continue to do so. For this reason, I fear that AB 1823 could result in complex litigation, which will only serve to further delay Hetch Hetchy's current structural needs.

Among its many deficiencies, AB 1823 would grant authority over the regional water system to the California Department of Health Services (DHS). DHS is utterly unqualified to manage, review, or otherwise advise on the operation of a complex water and power system, such as San Francisco's regional water system. DHS, which has no expertise in these areas, would have to create a large separate and costly division to accept the authority granted to it under the bill. Moreover, the authority that would be granted to DHS under AB 1823 is prohibited by the Raker Act.

Finally, AB 1823 would codify SFPUC's Capital Improvement Program (CIP). It is a dangerous precedent to legislate a water supplier's CIP. Many issues or events can arise that justify a shift in priorities within the regional water system. For example, the environmental review process or a natural disaster may warrant a different focus of repair within the system. AB 1823 would preclude this necessary flexibility. No other agency in the state puts a schedule of its CIP into state law.

For all of the above reasons, the City and County of San Francisco opposes AB 2058.

Sincerely,

WILLIE L. BROWN, Jr.
Mayor
City and County of San Francisco

CC: Members of the Assembly Local Government Committee
Stacey Sullivan, Consultant, Assembly Local Government Committee
William Weber, Consultant, Assembly Republican Caucus
Edelstein and Gilbert

OFFICE OF THE MAYOR
BUDGET AND LEGISLATIVE AFFAIRS

WILLIE LEWIS BROWN, JR.

April 4, 2002

LJP NL GH JM HP
BG MS BY

APR - 5 2002

The Honorable Lou Papan
California State Assembly
State Capitol, Room 3173
Sacramento, CA 95814

RE: ASSEMBLY BILL 2058 -- OPPOSE

Dear Assemblyman Papan:

The purpose of this letter is to inform you that the City and County of San Francisco must reluctantly oppose your legislation, AB 2058.

AB 2058 is not necessary. The regional wholesale customers of the San Francisco system, known as the Bay Area Water Users Association, can form a joint powers agency or a special district as your bill describes without state legislation. The JPA can issue revenue bonds without state legislation. Additionally, San Francisco has always been amenable to reopening it master water sales agreement with its customers. There is nothing in AB 2058 that could not be done through the normal local government formation process and contract negotiation.

AB 2058 will jeopardize our efforts to pass a bond measure in San Francisco to improve the Bay Area water system this November. The bond measure is designed to address Hetch Hetchy's structural needs, including those intended to be addressed by your bill. Furthermore, the San Francisco Public Utilities Commission (SFPUC) is aggressively dealing with Hetch Hetchy's structural needs right now. The SFPUC have already accepted a Capital Improvement Program for exactly that purpose. The SFPUC is moving forward with plans to place the $4.6 billion bond measure on the November 2002 ballot in San Francisco. While the polls show that San Franciscans are overwhelmingly in favor of the bond measure, AB 2058 can be used by opponents to confuse the issue and, therefore, jeopardize the bond. Opponents can use AB 2058 as a tool to convince voters that there is no need for San Franciscans to vote for the bond measure because water users on the Peninsula will pay for the improvements. If San Franciscans fail to approve a bond measure in November, then legislation may be appropriate.

AB 2058 is redundant. The bill creates a local Agency to address needs in San Francisco's water system. As discussed above, San Francisco is already tackling these needs. Moreover, as the owner of the project, San Francisco and its SFPUC are the appropriate parties to address the system needs. It is inappropriate for San Francisco's customers to attempt to do so unilaterally.

Finally, AB 2058 impairs the existing Master Water Sales Agreement between San Francisco and its customers. The bill would make numerous material changes to these important contracts. Specifically, Section 81435 of the bill would empower a local Agency to make cost allocation determinations, making significant changes to agreements that have been litigated.

For all of the above reasons, the City and County of San Francisco opposes AB 1823.

Sincerely,

WILLIE L. BROWN, Jr.
Mayor
City and County of San Francisco

CC: Members of the Assembly Local Government Committee
Stacey Sullivan, Consultant, Assembly Local Government Committee
William Weber, Consultant, Assembly Republican Caucus
Edelstein and Gilbert

OFFICE OF THE MAYOR
SAN FRANCISCO

WILLIE LEWIS BROWN, JR.

PUBLIC UTILITIES COMMISSION
INFRASTRUCTURE TASK FORCE

February 10, 2002

Willie Lewis Brown, Jr.
Mayor
City & County of San Francisco

Dear Mr. Mayor:

Your Public Utilities Infrastructure Task Force will convene a meeting on February 22, 2002 in order to discuss the most recent attempt by the Public Utilities - relative to a Long Term Strategic Plan and the ever-ongoing attempt to pass a Capital Improvement Project totaling 5.2 billion dollars.

The January 24, 2002 report submitted by the PUC is not acceptable as it near completely fails as a LTSP - integrated with those requisites that would otherwise justify proceeding with a bond issue on the November ballot. It appears that the nineteen months of Task Force work submitted to you in the September 2001 Interim Report, composed by experts in many relative fields, some with over forty years of experience in water and wastewater, was ignored.

Many months ago it was suggestion that the CIP concept be scrapped, and the LTSP completed as a working document. Simultaneously, critical regional projects should be identified, planned (if they are not already planned – as I assume *critical* projects have plans ready) permit readied and placed on the ballot. Implementing this process will secure allies in the Peninsula, assure the continued flow of water with ongoing replacement, repair and maintenance, provide jobs, buy time to complete the LTSP as the economy rebounds over the next three years or so – making future bond issues a successful reality.

Your Task Force has nearly completed its current mission. Within a few months it will be recommended that the Task Force be maintained as a PUC Infrastructure Oversight and Advisory Committee created in order to maintain a working communications between and among all Public Utilities parties. A close relation with the Commission would allow you Commission to obtain assistance from such a Committee.

As the Chair of the Task Force it is my hope that this next meeting including: the Chamber, SPUR, Urban Water Institute, near complete representation of the environmental community as well as the usual assemblage of finance, economic, legal and engineering experts, will provide a constructive recommendation that will unify the objectives of your office, your Commission, your Public Utilities and this Task Force that serves you well.

Sincerely,

Richard Bodisco

1 DR. CARLTON B. GOODLETT PLACE, ROOM 200 SAN FRANCISCO, CALIFORNIA 94102
(415) 554-6141

OFFICE OF THE MAYOR
SAN FRANCISCO

WILLIE LEWIS BROWN, JR.

NATALIE ALAVI
DAVID ASSMAN
BRIAN BROWNE
REBECCA EVANS
JIM FABRIS
HOLGER GANTZ
CHARLES HALL
ART JENSEN

PUBLIC UTILITIES
INFRASTRUCTURE TASK FORCE
RICHARD BODISCO, CHAIR

DOUG KERN
THOMAS LUTGE
MONIQUE MOYER
BILL OLINGER
AMY QUIRK
LINDA RICHARDSON
ED SMELOFF
PHILLIP WARD

Commissioner Ann Moller Caen, President
Commissioner Dennis E. Normandy, Vice President
Commissioner Ashok Bhatt
Commissioner Jeffrey A. Chen May 27, 2002

Dear Commissioners:

The Mayor's Infrastructure Task Force opposes the Public Utility General Managers Capital Improvement bond measure. Our reasons are stipulated in the ITF Interim Report that recommends a number of factors that are necessary in order to successfully implement a CIP. There are also numerous matters stipulating serious concern about the CIP proposal made in the Beck report.

The Mayor's Task Force has requested continued updates on LTSP, LRFP, the CIP itself, that has changed numerous times, and data supporting projects. This information has not been forthcoming.

ITF perusal of CIP projects has revealed that data affecting hundreds of millions of dollars requested for projects is not available from or in the possession of Public Utilities as of Wednesday May 22, 2002.

One example of concern regarding this data involves the Calavaras Dam project. This project was recently added to the CIP. Apparently the capacity of the dam is now at 30% due to seismic and other problems. Our research indicates that it is possible to increase the capacity to 100% for a cost factor of approximately 20 to 30 million dollars by using alternative methodologies. This is a great disparity from the $150 million proposed by PUC. Consideration of enlarging the dam must deal with time factors. Therefore the current capacity must be increased while any plan to enlarge is addressed. There is similar study ongoing that indicates that the Sunset

1 DR. CARLTON B. GOODLETT PLACE, ROOM 200 SAN FRANCISCO, CALIFORNIA 94102
(415) 554-6141

reservoir and possibly other projects have failed to consider alternative methodologies that would save millions of dollars. In addition there is concern as to other projects previously categorized critical that were omitted from the CIP. Projects do not simply disappear, but should be identified in a Long Term Strategic Plan.

Item number 16 on your calendar relative to the rate increase is questioned. Proposition H did allow for rate increases up to 18%. Apparently 17.5% increase has already been approved. Is the 12% proposed an increase over the 18% allowable in Proposition H? If so, there are numerous questions that the ITF would like to address and we request a copy of any proposal relative to this item.

As Chairman of the ITF I request your consideration on these and other matters as related in the ITF Interim Report.

Further, the Mayor's Task Force is working on a final report that will recommend a lower bond proposal in a Phase I of proposed projects. A majority of the members have considered $800 million with 2/3rds. of the funds designated for regional projects. It is believed that this type of bond proposal should prove successful and acceptable to local ratepayers and regional customers. A great majority of the Task Force supports a lower bond measure that would sidestep the need for any action or proposal that may be considered to disenfranchise the San Francisco electorate relative to voting on bond funding.

It is my hope that you consider delaying a decision at this time on these most important issues.

Sincerely,

Richard Bodisco
Chairman, Mayor's Task Force

Cc: WLB

April 10, 2002

The Honorable Lou Papan
California State Assembly
State Capitol, Room 3173
Sacramento, CA 95814

RE: Assembly Bill 1823 – Rebuttal to San Francisco's Reasons for Opposition

Dear Assembly Member Papan:

In his April 4, 2002 letter to you, Mayor Brown offers four reasons for San Francisco's opposition to your bill, Assembly Bill 1823. The following information responds to each of the Mayor's points.

1. **Contrary to the letter, there is no current or recent 6-year capital improvement program adopted by the SFPUC**. The SFPUC has not adopted a multi-year capital improvement program and financing plan. The Mayor may be referring to cash-flow projections for projects funded in each year's budget. However, these projections do not reflect all of the work needed on the system and include only a small portion of the work contained in the SFPUC's draft plans. In January of this year, the SFPUC released revisions to its first draft of a Ten-Year Capital Improvement Plan, Financing Plan and Long-Term Strategic Plan for Capital Improvements. This draft is currently being reviewed not only by the public (in San Francisco), but also by the engineering firm RW Beck, recently hired to do a quick check of the document. RW Beck isn't required to report back to the SFPUC until June, so no action by the SFPUC should be expected before then. The SFPUC's efforts to place a $4.6 billion bond measure on the November 2002 ballot are still in the planning stage, as the letter accurately states. BAWUA has and will continue to support the SFPUC's efforts to finance the needed capital projects, but there is no assurance at all that the Board of Supervisors will place a bond measure of this or any other size on the November ballot.

2. **AB 1823 contains no provisions that would violate or conflict with the Congressional Raker Act of 1913**. The Mayor does not identify a section in AB 1823 that he believes conflicts with the Raker Act, nor does he identify a section of the Raker Act that he believes conflicts with any provision in your bill. It is worth remembering that the federal courts have held that the public agencies served by San Francisco are also grantees of the Raker Act and enjoy the rights granted by it. Finally, San Francisco's concerns about "complex litigation" didn't prevent the City from suing both Modesto Irrigation District and Turlock

Irrigation District a few months ago in an attempt to abrogate the power contracts the City had signed with both irrigation districts several years ago.

3. **AB 1823 does not give authority to the DHS to manage the system, as stated in the letter**. The DHS regularly reviews water utility capital improvement programs and schedules, as well as operating plans, to ensure that water systems are able to remain in compliance with health and safety laws and regulations. The Mayor does not explain how the Raker Act insulates the City from DHS oversight.

4. **AB 1823 does not rigidly codify San Francisco's capital improvement program**. First, AB 1823 does cite projects and timelines for critical projects for the purpose of assessing progress. Second, AB 1823 recognizes the possible need to modify the capital improvement program over time. In fact, AB 1823 requires that copies of revisions to the program be regularly submitted.

For all of these reasons, we reject San Francisco's reasons for opposing AB 1823.

Arthur R. Jensen
General Manager
Bay Area Water Users Association

CC:
Members of the Assembly Local Government Committee
Stacy Sullivan, Consultant, Assembly Local Government Committee
William Weber, Consultant Assembly Republican Caucus\

April 10, 2002

The Honorable Lou Papan
California State Assembly
State Capitol, Room 3173
Sacramento, CA 95814

RE: Assembly Bill 2058 – Rebuttal to San Francisco's Reasons for Opposition

Dear Assembly Member Papan:

In his April 4, 2002 letter to you, Mayor Brown offers four reasons for San Francisco's opposition to your bill, Assembly Bill 2058. The following information responds to each of the Mayor's points:

1. **AB 2058 *is* necessary for the suburban cities, water districts and other agencies that depend on the San Francisco regional water system**.
    - San Francisco asserts it has no obligation to meet the future needs of the areas dependent upon the regional water system.
    - San Francisco has asserted that federal and State drinking water regulations do not apply to its delivery of water to the suburban agencies.
    - San Francisco has done nothing to increase the reliability of the system to withstand droughts, contrary to SFPUC resolutions adopted in 1988 and 2000.
    - San Francisco has not earthquake proofed the regional water system following the Loma Prieta earthquake of 1989, as have other water utilities in the Bay Area.

    The agency enabled by AB 2058 would permit those utilities to address their current and future needs, independently of the regional water system. The new agency could also assist San Francisco to secure funding for critically important rebuilding of the regional system. The agency enabled by AB 2058 would provide its members a representative vote on how and when these matters were addressed, contrary to the current role played by San Francisco. A joint powers authority (JPA) could not perform these functions as effectively.

2. **AB 2058 will not jeopardize San Francisco's efforts to pass a bond measure next November or any other time**. Opponents of a San Francisco bond issue need not look outside of the City for reasons. The Mayor's Infrastructure Task Force disagrees with the SFPUC's plans. The Task Force disagrees with a $4.6 billion bond measure. As one member of the Task Force, BAWUA has been the lone voice in calling for aggressive implementation of the capital improvement program. Recently, the Task Force has discussed promoting a smaller bond measure. The president of the board of supervisors has requested a draft measure

by which the voters in San Francisco would relinquish their authority to approve SFPUC bond measures. Last November, the San Francisco ballot contained a measure that would replace the SFPUC with a new entity. These actions make us doubt that the City will in fact move forward to adopt, finance and implement its plans in a timely manner. We will support, not oppose, a bond measure to do so. If the voters in San Francisco get confused, the enabling of an agency in the suburbs will not be the reason.

3. **The agency enabled by AB 2058 is not designed to "address the needs in San Francisco's water system," as stated in the letter**. That's San Francisco's job. The new agency could address conservation, water recycling, drought year reliability and other measures that would benefit its members, and perhaps others that rely on the regional water system. The new agency could address these issues independently of San Francisco and the regional water system. They currently have no representative voice in implementing such matters, but would under the new agency. In addition, as mentioned above, the new agency could serve as a standby source of financing if San Francisco voters reject a bond measure (or never get to vote on one).

4. **AB 2058 does not impair the existing Master Agreement and Water Sales Contract between San Francisco and its wholesale customers**. Specifically, Section 81435 does not "empower a local agency to make cost allocation determinations," as stated in the letter. That section requires that, at the request of the new agency, San Francisco place a surcharge on the wholesale water bills for the purpose of collecting and forwarding payments the wholesale customers wish levied upon them. This provision is nothing more than an administrative act to be performed by San Francisco. The current version of the bill even provides that the wholesale customers will pay the estimated and reasonable expense for the paper work.

For all of these reasons, we reject San Francisco's reasons for opposing AB 2058.

Arthur R. Jensen
General Manager
Bay Area Water Users Association

CC:
Members of the Assembly Local Government Committee
Stacy Sullivan, Consultant, Assembly Local Government Committee
William Weber, Consultant Assembly Republican Caucus

From: Phil Ward
To: Richard Bodisco
Date: 2/24/02 9:46AM
Subject: Re: FOR THE MAYOR

Not withstanding the appointment of a new General Manager, there is considerable doubt among members of the Task Force whether PUC staff are capable of planning, designing and implementing a $4.6 Billion public works project over the next 15 to 20 years. Based on past performance, including the multi-billion dollar fund into which the PUC will dip over the next two decades is chilling. After studying the repair and replacement needs of the system for years, in the past month PUC staff announced a brand new infrastructure project (replacement of the Calavaras Dam) that will cost hundreds of millions of dollars to complete. The sudden "discovery" of such an important and expensive project this late in the planning process calls into question everything that has gone before.

Asking the voters to approve this massive expenditure in one fell swoop is also politically dangerous. If there are enough citizen/neighborhood/property owner groups opposing such a measure, together with unhappy environmentalists and Southeast community members crying for "environmental justice", there is a very real prospect that the measure will be defeated. That defeat will add considerable impetus to efforts by Peninsula and East Bay politicians to wrest control of the Hetch Hetchy system away from San Francisco and cede it to some sort of regional authority.

What to do? "Stage" the various projects for purposes of funding-they're already "staged" as a function of planning, design and construction realities anyway. Identify a list of

projects that will cost less then a billion dollars, the ones that have to go first, and set them up for approval a la Props. A and B. With a proven track record of performance, the PUC will be able to return to the voters with confidence to secure additional monies as the projects come on line. At the same time, other innovative funding approaches can be explored, e.g. the idea of wholesale customers providing their own funding in advance, or sharing in the bond indebtedness etc.

As it stands right now, the kinds of groups that the Task Force represents have a very negative view of the PUC capabilities. Nothing in recent months has changed that view. The PUC General Manager's idea of asking SPUR to chair some sort of "blue ribbon engineering panel" to review individual projects, as a way around the nuisance of having to deal with the Task Force, will not provide enough cover for a $4.6 billion bond measure. If it goes forward and falls, we will be lucky to find ourselves back at the starting line. More likely we'll return to a position well back of where we were when the Task Force was first formed.

Philip Ward

REALTOR®

San Francisco Association of REALTORS®

301 Grove Street
San Francisco, CA 94102-4497
Tel 415.431.8500
Fax 415.553.3968
www.sfrealtors.com

May 15, 2002

Mr. Richard Bodisco
Bodisco Real Estate, Richard
185 Vasquez Avenue
San Francisco, California 94127

Dear Rich:

I support Supervisor Tony Hall's bond oversight committee legislation. In addition, I support an infrastructure improvement bond not to exceed $900 million.

Sincerely yours,

James C. Fabris mdc

James C. Fabris
Chief Executive Officer

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Richard Bodisco

From: <jim@sfrealtors.com>
To: <bodisco@pacbell.net>
Cc: <mariviccuevas@sfrealtors.com>
Sent: Wednesday, February 27, 2002 12:21 PM
Subject: $4.6 Billion Bond Measure

To: Rich Bodisco, Chair, Infrastructure Task Force

From: Jim Fabris, Task Force Member

Subject: $4.6 Billion Bond Measure

Date: February 26, 2002

You have asked me to submit brief comments to you on the $4.6 bond measure proposed for the November 2002 ballot. I am pleased to do so.

As a member of the mayor's infrastructure task force, I would be interested in knowing the mayor's position on the proposed $4.6 billion bond measure. In particular, I would be interested in knowing how he regards the integrity of the studies that support the need for $4.6 billion in projects and the likelihood that a bond measure of that magnitude will receive sufficient voter support for passage.

For my part, I do not have confidence in the ability of members of the Public Utilities Commission to make sound judgments concerning what projects are needed to fix our city's dilapidated infrastructure. Even if the commission were able to identify needed projects, I believe the commission is not in possession of reliable studies to support the proposed expenditures.

A more sensible approach, in my estimation, and one that is likely to save taxpayer dollars is to reduce the amount of the bond measure and initially target only critical projects. This will allow the most needed projects to be undertaken immediately while engineers and cost analysts determine the most

efficacious way to undertake the remaining projects to avoid the pattern too often seen in government where there is no coordination between one project and another. We are all familiar with roads that have been repaved only to be torn up several months later for other projects.

After sitting through almost 20 meetings of the task force, I have come to the conclusion that the commission, if it is to perform the function for which it was created, must consist of qualified professionals who can understand the technical complexities of problems that come before it for resolution. I believe that the reason we are looking at a $4.6 billion bond measure is the abysmal failure of the commission to recognize the gravity of problems facing the city because of its dilapidated infrastructure.

I favor giving the city's most urgent infrastructure problems immediate attention while allowing competent professionals to devise sound and cost effective approaches for dealing with the problems that might be considered less urgent.

It has been an honor to be a member of the mayor's infrastructure task force and I believe the mayor deserves commendations for assembling a diverse group of concerned professionals to provide an early evaluation of the commission's bond measure.

HOTEL INDUSTRY IN CRISIS

As President of the Hotel Council of San Francisco it is my task to bring in front of this committee the sentiments of our local industry. After reading the reports on San Francisco's water situation we recognize there is a lot of deferred maintenance that now needs immediate attention. We would be less than honest if we did not voice our disappointment that the city of San Francisco did not engage in normal business practice of repairing and fixing obsolete and damaged parts on an on going basis. It is un-nerving in the business sector to wake one day and find out the city has not properly maintained our water system and now the people of San Francisco will have to make up the cost.

The "word out on the street" is the city will moderately increase the homeowner's water rate and the majority of the cost will go to the business sector; especially the hotel industry.

I am here to tell you the hotel industry can not absorb another large increase. We are in a very precarious situation. I do not have to tell anyone the condition of our industry since September 11. But that is only half of it. We have had declining occupancy since January 1, 2001. September 11 was only the nail in the coffin.

The tactic in the hotel industry during bad periods is to shrink the hotel's operation to the size of their business. In past times we were able to do that and keep expenses down until business picked up. This time things are entirely different. First, we have the highest labor costs in the United States. Starting last year we are now strapped with energy costs that have crippled us financially. In California our worker's Comp. insurance has skyrocketed out of control. Now our liability insurance cost has nearly tripled for less than half the coverage. We now learn that our garbage rates are going to rise 35% to 50% if Golden Gate gets their way. If that isn't enough most of us are facing sprinkler retrofits in the next few years.

All of this in the face of a downturn of record proportions. The hotel industry is hanging on by a thread at this time. The projected hotel tax to the general fund will be at least $100 million down.

San Francisco depends on the hotel industry to be strong and vital. We are the largest employer outside of city government. We are the most significant contributor to the city budget; and the visitors that come to San Francisco spend money in many other business sectors such as restaurants, Muni, taxis, museums and retail stores. This all contributes to the well being of the city.

Hotel industry is paralyzed now with low occupancy and very high expenses. We've reached a point that to make up for these high costs we need to start charging very high room rates. This is not possible under the current economic environments. People have many good choices in travel these days. They do not have to come to San Francisco and put up with dirty streets, panhandling, homelessness, high room rates and expensive restaurants. There are simply too many other destinations to choose from.

This industry can not absorb (nor does it deserve to) a large increase in our water service. It is already extremely high. We have already reduced our water usage with restrictors so there is no way for us to cut future consumption. There is no way for us to absorb this increase.

After reading the committee report we conclude that it is impossible to spend some $5 billion on a project that has so many questions. It seems more pertinent to tackle critical projects that are known to be the most important. I am not sure how this gets paid down the road but I urge you not to put this burden on the hotel industry. This simply can not be absorbed.

Thank you for your time.

Sincerely
John J. Cope
President
Hotel Council of San Francisco

BAYVIEW HUNTERS POINT COMMUNITY ADVOCATES
5021 Third Street
San Francisco, CA 94124
415 671-2862 Fax 415 671-2863

May 7, 2001

Mr. Richard Bodisco
Chair, Mayor's PUC Infrastructure Task Force
185 Vasquez Ave.
San Francisco, CA 94127

Dear Mr. Bodisco,

The Bayview Hunters Point Community Advocates support your call to halt the PUC's Sludge Handling Facilities Upgrade project. Our community has been working to reduce the sewage burden on Bayview Hunters Point. This project, as currently planned, will continue to disproportionately and unfairly impact our neighborhood.

The Advocates is a non-profit organization founded, managed, and staffed by long-time African-American residents of the Bayview Hunters Point community. Our directors and members have collectively worked dozens of years working to empower and improve our neighborhood. Throughout our experience BVHP residents have continually asked for the City to reduce the impacts of sewage treatment on the neighborhood.

Yet this project defies community sentiment. The large and imposing sludge digesters would welcome visitors to our neighborhood for the next forty years. Furthermore, the PUC's proposal is not even proposing to use the best available technology, but instead pushing forward with one that's being abandoned in its country of origin according to some members of the PUC's own Technical Review Committee. Instead of using the City's need to upgrade its infrastructure as an opportunity to reduce the sewage system's impacts on Bayview Hunters Point, this proposal magnifies them.

Our community's concerns have been ignored for too long in the City's infrastructure decisions. We are happy to see that, at least in your case, this pattern is coming to an end. Thank you for joining us to make those concerns heard.

Sincerely,

Olin Webb,
Executive Director

Cc: Hon. Mayor Willie L. Brown
Hon. Sophie Maxwell
Victor Makras,

AMY V. QUIRK

Attorney-at-Law

avquirk@aol.com

February 25, 2002

Facsimile & E-mail Transmission

Richard Bodisco, Chair
Public Utilities Infrastructure Task Force
Office of the Mayor of San Francisco
415.681.4132
rbre@pacbell.net

Re: Review of San Francisco Public Utilities Commission's Planning Documents

To the Chair:

I. INTRODUCTION.

Thank you for extending an invitation to me, as a new member of Mayor Brown's Public Utilities Infrastructure Task Force ("Task Force"), to express my opinion on the following three documents, each of which was prepared by the San Francisco Public Utilities Commission ("PUC") and dated January 24, 2002:

1. Long-Term Strategic Plan for Capital Improvements;
2. Capital Improvement Program; and
3. Long-Range Financial Plan.

301 Magellan Avenue San Francisco, California 94116
415.564.7055 (Telephone & Fax)

After reviewing the documents and meeting with General Manager Patricia E. Martel at the Friday, February 22nd Task Force meeting, I am prepared to submit my opinion as a member of the Task Force.

II. OPINION.

The current plans appear to lack sufficient vision, substance, and scope to support the billions required for their implementation. As for vision, the plans reinforce too many old technologies of the last century, rather than incorporating alternative technologies to update the infrastructure and enhance the PUC's core services to meet future demand in an environmentally sensitive and cost-efficient manner. As to substance, there are too many unanswered questions, such as which projects will be funded. Indeed, the Task Force was informed on February 22nd that PUC may elect to use the funds for projects other than those set forth in the current plans. Even the scope of the plans is problematic, especially since the PUC by-passed its own panel of experts in establishing it.

In my opinion, all three documents should be reviewed by the PUC's own Technical Review Committee ("TRC"). This outstanding panel of experts, with whom Mayor Brown has consulted directly in the past, would provide invaluable assistance in addressing the vision, substance and scope of these plans. My understanding is that funds are available within the current budget to support their work, since, despite repeated requests from the Task Force and the environmental community, the TRC is rarely consulted by the PUC. In fact, the General Manager conceded at the February 22nd Task Force meeting that the TRC has not been asked to review any of the three documents at issue.

There are also concerns about whether the work product of the Task Force is being reviewed and utilized. When asked on February 22nd whether the PUC and/or the Commission would

respond in writing to the Task Force's Report, General Manager Martel stated that the PUC would not so respond unless directed by the Mayor. Since the Task Force's Report is the product of the Office of the Mayor, there is good reason for Mayor Brown to issue such a directive to the General Manager.

III. CONCLUSION.

The bottom line is that the undertaking outlined in the plans is so serious and costly that San Franciscans deserve the best possible input into the plans. The TRC is a standing, funded committee that should be engaged immediately to review the three documents. Their scope of work should be drafted by the Task Force and subject to final approval by the Task Force Chair. Further, the Task Force should secure funds from the City to engage an economist to do a comprehensive analysis of the financial aspects of the plans. Again, the scope of work should be drafted by the Task Force and subject to final approval by the Task Force Chair.

Thank you for the opportunity to make these brief comments, which were drafted after consultation with community leaders, such as Susan Suval, President of the Sunset Community Democratic Club, and environmental leaders, such as Jennifer Clary, Chair of the Alliance for a Clean Waterfront, and Alex Lantsberg, an environmentalist and a leader in the Bayview/Hunters Point community.

Very truly yours,

Amy

V. Quirk

Amy V. Quirk

cc: Susan Suval, President
Sunset Community Democratic Club

Jennifer Clary, Chair
Alliance for a Clean Waterfront

Alex Lantsberg, M.A. (candidate)
Urban Planning – U.C. Berkeley

To: R. Bodisco

I think that a bond measure/s should be put on the ballot for critical projects. Seismic upgrades for the water pipes which serve San Francisco and the Peninsula, upgrades at the Southeast Plant which will solve the solids handling and odor problems and sewer repair in those neighborhoods which experience extreme and unhealthy situations during heavy rains belong on the critical projects list. Development of recycled water is high on my personal list as it gives the City more options for Lake Merced and reserve supply if there is a catastrophe in the Hetch Hetchy delivery system.

The Public Utilities Commission has serious public relations problems with various segments of the community and needs to resolve these. There are the Hunters Point/Bayview residents, the environmental community [which is not monolithic], the taxpayer groups and other areas of the City which have specific and valid axes to grind; i.e., Lake Merced. People have been strung along for years and though promises have been made, many have not been delivered.

San Franciscans need to know what their dollar is buying in tangible terms – a pipe, new sewers, alternative treatment facilities. When these things are delivered in a timely and visible manner, the PUC can move on to the next projects and bond measure.

There is undoubtedly conventional wisdom on when to go to the public – the fall election when there will be heavy turnout or in the spring when fewer people vote. [The election next week will surely impact the turnout for the November election depending on who the Republicans select to run against Gov. Davis.] Also, the higher the bond funding dollar amount, the more difficult it is to get the votes.

Another factor is the fact that the PUC cannot campaign for any bond measure so they must solve the aforementioned questions of community/public trust if the bond measures are to pass.

Rebecca Evans

Richard Bodisco

From: "Richard Bodisco" <bodisco@pacbell.net>
To: "Richard Bodisco" <bodisco@pacbell.net>
Sent: Friday, June 14, 2002 10:19 AM
Attach: BONDS.doc
Subject: Fw: my thoughts - anew

----- Original Message -----
From: "Becky Evans" < >
To: "Richard Bodisco (E-mail)" < >
Sent: Friday, June 14, 2002 9:26 AM
Subject: FW: my thoughts - anew

These were my thoughts in February. I still think that a smaller bond measure has a better chance of passage but I do not know what other options are currently on the table.

I don't have any other contributions for the committee report. I believe that Supervisor Maxwell is assembling a citizens' oversight committee for wastewater so I'll not make my own proposal in that regard. I will be at work until 4:30 if you need to reach me.

> From: Becky Evans
> Sent: Monday, February 25, 2002 2:59 PM
> To: Richard Bodisco (E-mail)
> Subject: my thoughts
>
> Rich - I developed my thoughts over the weekend, seeking Jane Nurre's advice and that of a friend with political wisdom. I see that you and I agree about critical projects being separable.
>
> > <<BONDS.doc>>

Richard Bodisco

From: <JenClary@aol.com>
To: <bodisco@pacbell.net>
Sent: Friday, June 14, 2002 9:20 AM
Subject: Re: Final Report deadline - Private message

Rich,

I apologize. Doug submitted a letter to me for review. I promised to edit it by the 11th and get it back to him, but I have had a lot of items pop up.

We all agree that our interim report is still valid. Our thought is just to attach a cover letter to update recent events to our last report. I will get it to you be the end of the day, and apologize for making you go to the trouble of asking for it.

Jennifer Clary

June 13, 2002

Richard Bodisco, Chair
PUC Infrastructure Task Force

RE: PUC 2002 Capital Improvement Plan(CIP)

Dear Mr. Bodisco:

Please find attached my analysis of the Regional Water and Local Water projects of the CIP. I have not analyzed the Clean Water and Power Projects because I had heard that these projects will not be part of the bond measure on the November ballot.

Aside from my attached analysis I also have some general comments. I agree with others who have reviewed the CIP that there should be a citizens technical advisory committee overseeing the implementation of the CIP, with one major difference. The advisory committe should be given appropriations to hire their own consultants to assist them. The reason is that no matter how well meaning or knowledgeable committe members might be I anticipate because of the compexity and volume of diversified projects that will be implemented over a long time frame that the committee will at various stages lack the expertise to evaluate the progress made to that point in time. Another suggestion is that the progress should be evaluated quarterly and that, perhaps annually, there should be an assessment whether the implementation of the CIP should be modified to take advantage of any new technologies or alternatives. Additionally, there should be a merit program instituted to monetarily reward CIP employees as well as their contractors for suggesting any cost savings.

I suggest that the bond measure be broken up into Regional Water, Local Water, etc. to give the voters more flexibility in determining the suitability of the categorized projects. As for the Regional Water projects, because of the dwindling federal funds for these kinds of infrastructure projects, we should look to all beneficiaries of the projects for financing, which means not solely city ratepayers. Additionally, it is not apparent to me that for the Regional Water projects that there was an evaluation of coordinating or tying them into other municipalities water distribution systems. Also, given the fact that most cities charge connection fees for new development, we should do the same here.

As for the increased water/sewer bills that property owners will get I suggest that at least part of the increase be allowed for passage to tenants. Currently, the San Francisco Residential Rent Stabilization and Arbitration Ordinance allows property owners to passthrough to tenants increases in yearly PG&E bills. What I am advocating is something similar.

If you have any questions about this letter or my analysis of the CIP, please feel free to call me at 415-885-2225.

Sincerely,

Bill Quan

Bill Quan, P.E.

PUC2002CIPLetter-Bodisco.wd

Analysis of 2002 PUC Capital Improvement Plan(CIP)
Submitted by Bill Quan, P.E.
June 14, 2002

Background: Analyses of the CIP has also been done by R.W. Beck, a consulting firm hired by the PUC, and whose analysis were reviewed by a PUC Blue Ribbon Panel.

Focus of Analysis: The appendices for Regional Water and Local Water Projects were the primary documents reviewed.

Regional Water Projects under the CIP(38 Projects):

1. Project: Crystal Springs Bypass Tunnel (Ranked #6; Total Installed Cost, Escalated: $57,234,000). This project is being proposed because of the concern that future landslides may interrupt water distribution in the area, but it was subjected to landslides in 1997 and 1998 and "no appreciable damage was found...". This project appears premature.

2. Project: Sunset Reservoir-Seismic Upgrade/Rehab (North Basin).[Ranked #24; Total Installed Cost, Escalated: $60,813). The roof of the North Basin has received the highest priority of all city reservoirs for seismic retrofitting. It is not clear if this roof sustained any damage from the 1989 Loma Prieta earthquake, a 7.1 quake, and it has been generally said that seismic retrofitting would be measured against a 7.0 quake. It is hard to discern whether collapse of the roof, whether partial or otherwise, would prevent the reservoir from carrying out its prime function. Some items, such as cleanup of the reservoir bed appear to be routine operation and maintenance issues that should be addressed in annual budgets. In conclusion, no argument has been presented that seismic retrofit is ncecessary to preserve the critical function of the reservoir; based on this it appears that this project should be deferred at this time.

3. Project: Irvington Tunnel Alternatives (Ranked #3; Total Installed Cost, Escalated: $165,796}: The justification for this project is that failure of this tunnel would isolate 85% of the SFPUC water supply and that it has not been inspected for 30 years because it cannot be removed from service for inspection because of the high water demand.Then it is supposed that if the tunnel was in fact in good shape this project would not be so critical. Perhaps, it may be possible to get at this information indirectly by checking with other municipalities that had used the same kind of tunnel in similar circumstances. It cannot be determined whether this in fact had been done.

4.Project: Pulgas Reservoir Rehabilition.(Ranked #33; Total Installed Cost, Escalated: $22,588) It appears that the main expense of this project of this project is to replace the corrugated roof to prevent rodents and airborne particles from entering the reservoir. There is no mention if the roof could be retrofitted at a lower cost or some other kind covering, such as a wire mesh screen, could be used to minimize entry of contaminants. The high levels of trihalamethanes may be minimized by going to the use of a solid chloride chemical, such as sodium hypochlorite, instead of liquid chlorine. As for new physical and/or mechanical mixing, and chemical feed improvements, usually laboratory/bench scale studies are done first, followed by the larger pilot studies to determine feasibility. Without doing these steps monies could be wasted. It is difficult to determine what the long term cost savings are that are implied. In any case, it does not appear that the replacement of the roof is critical to the primary function of the reservoir.

5.Project: HTWTP Long Term Improvements.(Ranked #28; Total Installed Cost, Escalated: $53,034). This treatment plant is operating at way below capacity, 22%, because of treatment deficiencies; however, it is unclear whether an upgrade is a critical necessity. Also, it is not clear if the installation of a new Bay Division pipe would mitigate any need for a future upgrade of this facility, which treats surface waters for delivery to northern San Mateo County and Santa Clara counties. For the foregoing reasons it appears that this project should be deferred.

6. Project: Crystal Springs PS and CS-SA Pl Capacity.(Ranked #14; Total Installed Cost, Escalated: $71,790). It is interesting to note that the proposal is to increase hydraulic capacity here, which supplies raw water to the HTWTP above, whose proposed expansion would not be available for some years afterward. Here for the sake of this analysis it was assumed that the same equipment/processes are used for treatment of both surface and raw waters.

7. Project: U. Mound Reservoir-seismic Upgrade/Rehab(North Basin)[Ranked #20; Total Installed Cost, Escalated: $80,201]. Here it looks like the primary concern is the reservoir roof and as with other reservoirs where there is the same concern there is no evidence presented that a failure of the roof would halt the delivery of water supplies from the dam. Other items within this project, such as removal of sediments appear to be operating and maintenance issues and perhaps are not warranted for inclusion in a bond measure, but should be addressed through annual budgets.

8. Project: Crystal Springs 2PL Replacement (in City). [Ranked #30; Total Installed Cost, Escalated: $82,665,000]. It is stated that the city expects that portions of this 1930s pipeline will have to be replaced over the next 10 years, but no technical reason is given. Thus, it appears that this project is a bit premature.

9.Project: San Andreas #3 P/L Installation (Ranked #27; Total Installed Cost, Escalated: $34,623). This involves the extension of this pipeline to the Sunset reservoir, which supposedly would provide a "more reliable delivery to the City."; however, there is no indication that this is critical or necessary. There is no information regarding the cost/benefit of this project. It appears that since this project is not critical that it should not be included in the proposed bond measure.

10. Project: Englarge Sunol Treatment Capacity to 240 mgd(Ranked #10; Total Installed Cost, Escalated: $95,281). There is no cost/benefit analysis about enlarging the capacity versus the status quo, dealing with impacted water quality and interruptions of the Hetch Hetchy supply.

Local Water Projects under the Capital Improvement Program (41 Projects):

1.Project: Recycled Water Project. (Ranked #9; Total Installed Cost, Escalated: $121,448,000). This project is apparently based on a non-mandatory plan to reduce the use of potable water for non-potable uses, such as irrigation. There is no indication at all that the project is critical as well. This seems like a disirable project but perhaps not so necessary.

2.Project: Key Motorized and Other Critical Valves (Ranked #32; Total Installed Cost, Escalated: $14,195,000). The proposal is to replace 1,500 manually controlled valves with automated ones so that it would be less labor intensive to isolate critical points at several reservoirs in case of an emergency.There is no cost/benefit analysis regarding this proposal or

any discussion of what savings, if any, that would be achieved over time. This project appears to be something that is desirable to do, but not critical.

3. Project: Lake Merced Pump Station Essential Upgrade (Ranked #41; Total Installed Cost, Escalated: $79,007,000. This appears to be really an assessment of the overall condition of the pump station and to repair anything that is warranted, but the only thing identified so far is some leaking surge tanks that "may require immediate repair." There is no inkling in the description of the project that even if anything else was found to be in need of repair that it would constitute a critical situation. Except for the surge tanks this project should not be part of the bond measure.

4. Project: New Northwest Reservoir.(Ranked #38; Total Installed Cost, Escalated: $36,936,000) This is to serve the northeastern part of town because there is no reliable storage reservoir in the area. This implies that the Lombard Reservoir is not reliable, but, if so, no details have been given and it isn't even on the list of projects. Also, there does not appear to be any indication that reconfiguring/fixing what is already in place was looked at.

5. Project: Cross Town Transmission Main (Ranked #16; Total Installed Cost, Escalated: $20,344,000). This would construct a new main line from the Alemany Pump Station in the eastern part of the city to the western part of town. The purpose of this line would be to respond to emergencies involving the Sunset system, which is presumbably the reservoir. There is no discussion what is presently the contingency plan in such an event. In fact, it appears that the Lake Merced reservoir could be used as an backup. Also, the housing/building mix in the area has not changed appreciably since the 1950s as to make it more vunerable to fires so it then begs the question why construction of a new main is such a high priority.

6. It is noted that their are four reservoirs that are planned for upgrade, all having to do with seismic concerns and potporri of other things. Their priority rankings varied greatly (#2, 14, 16, and 41) and the lowest priority has the greatest cost. Thus, it appears that the evaluation of these projects appear uneven. Perhaps, at least the project involving the dead last ranked reservoir(Sutro) should not be part of the bond measure. This reservoir is relatively new, built in 1952, in comparison to the others. Also, if the goal is to replace sewer lines every 100 years, which is subjected to a harsher use than are reservoirs, then perhaps the Sutro reservoir work should be deferred.

PUC2002CIPHetchHetchy.wd

San Francisco Public Utilities Infrastructure Task Force

Membership Profiles

Rich Bodisco - Task Force Chairman. 57 years of age, his family is traced back to 1863 in the City. He has degrees in Criminology, Sociology and Certificate in Environmental Planning - California State University Environmental Consortium. He was a third generation SF Police Officer from 66-82. Selected to coordinate and formulate the City's first Environmental Enforcement Unit for the SFPD, DPW, and DPH in 1970. He was a consultant to EPA/ONAC, Washington D.C. implementing environmental enforcement programs in Chicago, Los Angeles, Pennsylvania, Hawaii & the Philippines. Retired due to a broken back sustained while in the SFPD. He received numerous awards including the Medal of Valor. Has been a Real Estate Broker since 1982. Authored numerous San Francisco laws: Environmental noise and smog enforcement, banning tour busses from neighborhoods, designating site locations for live entertainment, co-author Ban Deputy Mayors and the Phelan Loop City College Land Development issue. Authored Term Limit legislation for San Francisco Supervisors and was instrumental in the State term limit movement. Mr. Bodisco initiated the Water and Sewer rate freeze in the city. Mayor's Joseph Alioto, Dianne Feinstein, Art Agnos, Willie L. Brown Jr. and Los Angeles Mayor Tom Bradley have appointed or requested Mr. Bodisco for various purposes.

Natalie Alavi – Field of expertise is Project Design, Development and Management, Construction Management for HVAC, Energy Analysis & Management, Plumbing, Utilities infrastructure, Fire Protection, Building Survey, Feasibility Study, Boiler & Chiller Central Plants, and Value Engineering. Miss Alivi is a Registered Mechanical Engineer CA (M23485), MI (6201029258, WA (00259333) Value Engineering Certified, Underground Storage Certified, C-20 Sheet Metal Contracting License, National Fire Protection Certified, Management, Finance & Accounting Certified. Natalie has 18 years of experience. She has chaired several professional committees and is a member of the San Francisco Chamber. She is a PHD Candidate with an M. S. Mechanical Engineering, University of Michigan, B.S. Mechanical Engineering, University of Michigan and holds graduate certification in Management, Marketing and Engineering. She own NBA Engineering Inc.

Brian Browne – Economist. Mr. Browne is an applied economist in the area of valuation, finance analysis, econometric modeling (forecasting), banking, air, rail, utility, health care planning expert. Developed a Utility Regulatory Structure consulting for United Nations Mission in Kosovo (2000), Evaluated US water and wastewater markets. Numerous clients not limited to: Hambrecht & Quist, Howard Rice, Taylor & Faust, Australian government trade commission, Anthony

Smith Australian Wines, Eyeline Swim Products, Decision Services, Inc. Fourelle Systems, Iknc. (Data software. Lecturer at the University of San Francisco, Golden Gate University, Asian Pacific University MBA programs in economics. Senior research analyst, fuels policy planning regarding NGPA Act. Developed PG&E's first econometric oil price forecasting system. Subcontractor for USAID, United States Agency for International Development working in Bangladesh. MA Economics and Business Economics. Currently requested by United Nations to work in Kosovo rebuilding water/wastewater systems.

Rebecca Evans – Chairman of the Citizens Advisory Committee on Wastewater. Miss Evans has been a member of the CAC for 20 years. She studied political science at the University of Arizona and currently is the secretary for the Oakland law firm. She is the Vice President of the SF Commission on the Environment and distinguished member of the Sierra Club since 1969. She is a founding member and current board member of the SF League of Conservation Voters, member of People for a Golden Gate National Recreation Area.

Jim Fabris – Business & Real Estate. Political Science Graduate from UC Berkeley, Former Press Secretary for the Governor of California 68 – 71. Association of Realtors Executive Vice President since 1971. Mr. Fabris has distinguished his self for over twenty years with a record of successful legislative policymaking, law, health and safety and environmental matters relative to property ownership and concerns at both the local and state level to protect the rights of property owners, residents of San Francisco and the Bay Area, while representing the professionalism of Realtors.

Holger Gantz – Business & Finance. General Manager, San Francisco Hilton Towers. Representing the city's highest revenue producing industry - via tourism and the highest water rate payers, the hotel industry.

Charles Hall – Attorney at Law & Finance. Howard, Rice, Nemerovski, Candy, Falk & Rabkin. J.D. Stanford Law School, M.A. Economics, B.S. Finance Cum laude. Mr. Hall is a member of the Financial Services Group and his practice focuses primarily on investment management law, including the organization and representation of: registered investment companies, venture capital funds, investment advisors and broker-dealers. Mr. Hall practiced investment management law with Paul, Hastings, Janofsky & Walker LLP.

Arthur Jensen: Bay Area Water Users Association - BAWUA Director. Mr. Jensen represents the 29 cities, water districts and other agencies in San Mateo, Santa Clara, Alameda counties that buy all or some of the water from San Francisco. Mr. Jensen formerly worked for the San Francisco Water Department and has a distinguished reputation for knowledge in the water/wastewater fields.

Doug Kern – Environmental Liaison. Kern Mediation Group owner specializing in environmental matters relating to complex, multi-party environmental and public policy dispute resolution. Mr. Kern is the mediator/facilitator for the Presidio of San Francisco Restoration Advisory Board and formerly for the Hunter's Point Shipyard Restoration Advisory Board. From April through November of 1995 Mr. Kern mediated public task force meetings for the State Water Resources Control Board in Sacramento, CA. Previous work involved work for Exxon Company as an exploration geologist and tech manager. He has an MBA form Cornell University and a BA in Geophysics from Cal Berkeley.

Thomas H. Lutge – was born into a family of Civil and Structural engineers and has worked in the construction field most of his life. An ironworker from local 378 with many years of expertise in the steel trade, like his father and grandfather he was educated at the University of California, Berkeley, with a BS in Civil Engineering, MS in structural engineering and structural mechanics. Mr. Lutge is a member of many structural associations. He is also the R.M.O. for the General Engineering A license, general building B license and the specialty C license from the State contractors License Board. All ACI, ICBO Special Inspector Certifications are a part of his many credits. Mr. Lutge owns and operates Quake Structural since 1988, specializing in distressed structures and earthquake strengthening.

Monique Moyer – City Hall Finance - Mrs. Moyer assists with various finance and economic matters, procedures, policy and or practices. As a City Employee, Mrs. Moyer was selected by Mr. Bodisco to work with city resident members Mr. Browne - Economics and Mr. Charles Hall, Jr. - Finance.

William (Bill) Olinger – Plummer, engineering and construction - Mr. Olinger worked for 30 years at the Public Utilities Commission Water Department as a Supervisor for twenty-seven years. Mr. Olinger also represents the plumbers union. He is now retired from the City and County of San Francisco continuing work in the plumbing field while volunteering his time to Task Force study.

Amy Quirk – Environmental Attorney. Miss Quirk is wildly known as a representative for numerous environmental groups. She has been instrumental at SFO as a Mayoral appointment for a myriad of subject matter relative to Airport expansion. She has served on the Task Force since January 2002.

Linda Richardson – Miss Richardson is nationally recognized on environment, health and sustainable economic development. She has served as a conduit and liaison to public, private and land-use issues. She served under three Mayors on various commissions and advisory boards. Under Mayor Willie L. Brown, Jr., she has served on the Southeast Facility Commission, the Commission on the Environment, San Francisco Planning Commission, and currently the San Francisco Civil Service Commission. She has worked on major housing, commercial and residential projects in the City and Bay Area helping to create thousands of jobs to the Bay Area economy. Her community advisory roles include serving as the Chair of the land-use, planning and transportation of the project area committee, where she is advising the San Francisco development agency on the proposed Muni Lightrail Project and the Bayview Hunters Point Community Revitalization Project. She is also on the Steering Committee of the Southeast Neighborhoods Jobs Initiative Roundtable. She helped establish the career center at Southeast and is the co-founder of two environmental organizations (Southeast Alliance of Environmental Justice and the Bayview Hunter's Point Environmental Task Force).

Edward Smeloff - Deputy General Manager SFPUC. Mr. Smeloff is the Task Force liaison to the Public Utilities Commission. Mr. Smeloff is a specialist relative to water, electrical power and public power.

David Assman – Deputy Director of the Environment. Mr. Assman replaces Mrs. Vietor. Mr. Assman has distinguished himself over the years in the environmental field as well as the Publisher for *Mother Jones* magazine, 18 years in media management, Editor of *Environmentally Sound Paper News (ESP News),* and as a columnist for the *Printing Journal.*

Philip Ward – Attorney at Law, former Acting City Attorney. 53 yrs. Born in San Francisco, Mr. Ward practices law with, Hassard Bonnington. He has 27 years experience as a litigator with expertise in toxic tort, professional negligence, product liability, and civil rights/employment discrimination lawsuits. He was Chief Trial Deputy and Acting City Attorney and the Chief Deputy City Attorney for the City & County of San Francisco prior to joining Hassard Bonnington in 1986. Graduate of the University of San Francisco USF, B.A. 68 J.D. cum laude, 71, Mr. Ward was Associate Editor of USF Law Review. He is a member of the American Board of Trial Advocates and the National Association of Railroad Trial Counsel and serves on the faculties of Hastings College of Law Center for Trial and Appellate Advocacy and the University of San Francisco Intensive Advocacy Program. Mr. Ward was instrumental in assisting Mr. Bodisco with legal language necessary to implement the San Francisco Environmental Enforcement program in the early 70's relating to Noise Abatement and Constitutional issues. In 1989 Mr. Ward crafted legislation for Mr. Bodisco's initiative petition on Term Limitation

that became Law in 1990. Working again with Mr. Bodisco, Mr. Ward crafted the water and sewer service rate freeze issue in 1998 and was instrumental in formation of the Task Force for San Francisco citizens.

Miss Jill Lerner – acting secretary.

Mr. Guy Hollins - Liaison for the Mayor's office, 554-5990.

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